

Egypt expels Arab envoys after Tripoli declaration

Four Arab states and the Palestine Liberation Organization yesterday formed a unified military front against Israel. Syria, Libya, Algeria and South Yemen decided to freeze relations with Egypt...

Unified military front against Israel

From David Watts Tripoli, Dec 5 A new alignment of anti-Sadat Arab states emerged today as five rejectionist leaders signed the Declaration of Tripoli...

But the Iraqis, the extremist diehards among the rejectionists, found themselves excluded, at least temporarily, from the anti-Sadat camp...

At a press conference this morning, Mr. Taha Jazrawi, the leader of the Iraqi delegation, said that Iraq had proposed to a committee to be set up to prepare a further summit in Baghdad...

Sudden Vance journey to hardline capitals

From Patrick Brigan Washington, Dec 5 Mr Cyrus Vance, the Secretary of State, is to visit a number of Middle East countries, starting with Cairo...

Wholesale price rises lowest since April 1973

By Melvyn Westlake A continuing sharp decline in Britain's inflation rate during the early months of the new year seems virtually certain in the light of government figures...

Just as significant, wholesale prices have risen in the past six months at an annual rate of 22 per cent, the first time for some years that the rate of price increase has, on this measure, been in single figures.

Prices in the shops will be rising relatively more slowly just at the time when the government will be faced by a number of key wage demands for public sector employees.

Mother spurns rescue to die with children

Another refused to leave her three children yesterday as their home burnt. Neighbours had urged Mrs Cheryl Dale, aged 24, to jump from her bedroom window...

Mr Hollis said: "We heard the kids screaming and went round the back with a ladder. I opened the back window but we could not get in because the smoke and flames were so bad."

Commons insist Crown Agents inquiry must be in public

By Hugh Moyes Parliamentary Correspondent Westminster

In an astonishing play of backbench power not seen in the Commons for many years, MPs on all sides joined forces last night to reject, by 158 votes to 125, the Government's proposals for a secret committee of inquiry to investigate losses of at least £200m by the Crown Agents.

Faced with an alliance of right, left and centre, Mrs Hart, Minister for Overseas Development, was left in no doubt that a secret inquiry was not acceptable and that whatever form of investigation is set up, it must be held in the full light of day with all the powers necessary to call witnesses and papers.

nationalists and 71 Conservatives.

Among the surprising charges during the debate was a statement by Sir Harold Wilson that Mrs Hart, after coming to him with "horrifying" evidence, had been threatened with defamation proceedings if she disclosed all she knew about the Crown Agents' activities.

The Government will now have to reconsider its plan for an inquiry under Sir Carl Harwood, former Recorder of London, and it is expected to accept the view of most MPs that in spite of cost and possible delays a tribunal should be set up under the Tribunals of Inquiry (Evidence) Act, 1921.

Cabinet to decide on Thursday what the Government should do next

adjourn, the defeat ended the sitting of the House. Government business for the rest of the night was lost.

It was clear from an early stage that the Government was in trouble. Mrs Hart, with Mr Silkin, the Attorney General, giving legal advice from a seat close to her, was inundated from all sides with demands that the Government should think again.

Group of left-wing Labour MPs who initiated the emergency debate, said it was essential to find the people who must carry the responsibility for the scandal.

In a last-minute attempt to fend off a vote, the minister promised reconsideration, but scuttling victory. MPs stormed into the division lobbies. The message from the Commons was clear, that ministers would be acting in defiance of Parliament and of the country if they went ahead with a procedure that would appear to be a cover-up for governments past and present.

At the time the request was made, Sir Peter thought those hours could be vital in containing an explosive situation which did not, in the event, arise.

But it was probably Sir Harold Wilson, Prime Minister for several of the years in which the Crown Agents were suffering losses, who swung MPs against the Government's case for a secret inquiry.

To murmurs of approval, he told the House how Mrs Hart had come to him with documentation that was "horrifying" even if only partly true. It was now known to have been an understatement. But Sir Harold went on, she ran into a formidable system of fortifications obstructing her progress.

Mr Gibbons, at his press conference, made the same point about the nature of the disturbances. Bermuda rioting, he said, was mild "compared with Washington or Notting Hill".



Refreshment for Herr Schmidt, the West German Chancellor, while President Giscard d'Estaing, of France, studies a document at the start of the EEC summit in Brussels yesterday. Report, page 17.

Bermuda curfew eased and first troops to be flown back to Belize

From Michael Leapman Hamilton, Bermuda, Dec 5

After another night of comparative peace here, Mr David Gibbons, the Prime Minister, announced that the curfew in effect for the past three nights would be eased to begin at 9 pm instead of 5.30 pm.

Mr Gibbons said that if things remained calm the curfew, imposed after riots and arson by youths protesting against the hanging of two black murderers, would be lifted altogether in a few days.

the panic buying seen on Saturday.

The risk, on the other hand, was that the presence of British troops might inflame anti-white feelings. "It revives the colonial stigma," Sir Peter said.

He was strongly critical of statements made yesterday by Mrs Lois Brown-Evans, leader of the Opposition, accusing her of "attempts to damage national unity and harmony".

Govan shop stewards reject 'blacking' plea

Shop stewards at Govan Shipbuilders on the Upper Clyde decided not to "black" any of the ships reallocated to the yard from the Tyne side yard of Swan Hunter.

At least five Britons died in the Malaysian airliner crash on Sunday night, the British High Commission in Kuala Lumpur announced. One was identified as a Sussex businessman.

Arts Council's defence

The Arts Council, in its annual report, defends itself against criticism of moral laxity. Mr Roy Shaw, secretary-general, says that although people are rightly concerned about support of the arts by public money, it is neither possible nor desirable for the council to censor art activities.

Homeland of seven parts

Seven landlocked blocks of territory spread across three of South Africa's four provinces become the independent tribal homeland for the Tsonga-speaking people.

Nato fears

European Nato allies fear that American plans for the next strategic arms limitation (Salt) agreement may lead to restrictions on the range of the Cruise missile. Mr Harold Brown, the United States Defence Secretary, will try to allay those fears in Brussels today.

Students' union funds curb

The National Union of Students, voting by a narrow majority for an executive motion, decided that its union funds must not be used to support non-urgent causes, such as trade union strikes.

NEB Fairey bid criticized

The National Enterprise Board successfully outbid Trafalgar House to win control of the non-aviation business of the Fairey Group. The NEB's offer of £20m was described by Mr Victor Matthews, deputy chairman of Trafalgar, as "outrageous".

Broadcasting freedom backed

The French state broadcasting monopoly has been successfully challenged in court by a pirate radio station.

Drugged babies: A surgeon says drugs are being given to some babies born with spina bifida to hasten their deaths

Royal walk: Lifts and escalators will not be working when the Queen opens Heathrow Central Underground station.

Drugged babies: A surgeon says drugs are being given to some babies born with spina bifida to hasten their deaths.

Mr David Bruce dies aged 79

Washington, Dec 5.—Mr David Bruce, the former United States Ambassador in London, Paris, and Bonn and former American representative in Peking, died here last night at the age of 79.

The Queen on Christmas TV

The Queen's broadcast will be televised on Christmas Day at 3 pm on BBC1 and at 5.40 pm on BBC2 and jubilee year will be recalled in three Christmas programmes, the BBC said yesterday.

The best place to hold your next business conference is just 300ft from London.

You can now hold your next business conference in the Roof! Way up in the clouds, 300ft. above Park Lane. Where you'll find a relaxed atmosphere. Peace and quiet. And air that's clear and fresh.

Mr Benn fears party organization is Pandora's box

By Michael Hatfield Political Reporter Labour policy-makers were warned yesterday by Mr Wedgwood Benn, Secretary of State for Energy, that they would open a Pandora's box of complaints if they decided to have an inquiry into the party's structure and organization.

Further evidence from affiliated unions. The first step will be to ask Mr David Basner, general secretary of the General and Municipal Workers' Union, who initiated the demand for an inquiry to attend a next month's meeting of the committee to put his views.

constituency party, and prejudicial to the best interests of the party. The committee was split along ideological lines over the process of reselection of Labour MPs. Mr Jack Ashley, a member of the Manifesto Group, accused Mr Milcaro, of misleading the party conference over the automatic reselection of MPs.

Table with 4 columns: Home News, Crossword, Sale Room, etc. listing various news items and their page numbers.

HOME NEWS

Spina bifida babies 'given help to die'

By Our Medical Correspondent
Drugs are being given to handicapped babies to speed their deaths, a surgeon says in an article in the British Medical Journal today on the care of infants born with spina bifida...

20 children hurt

More than 20 children were treated for cuts and bruises after their school bus crashed into an estate agent's office at Stanborough, Oxprington, south London, yesterday.

Princess fined

Princess Margaret, of Sweden, was fined £15 and had her licence suspended by Oxford City Council yesterday after admitting speeding.

Commercial art galleries: 2: Recession affects contemporary works
Market improvement promises a good year

By Roger Barthoud

When one asks two dozen dealers of all sorts how inflation and the recession have affected them, the answers scarcely vary. The effects of the 1977 oil price rise and subsequent Stagflation slump were not felt for about six months, the usual time lag for booms and slumps to work through to the trade.

Everyone agrees 1974 was very bad. There was no great drop in prices. But owners clinging on, there were very few buyers and costs rose sharply. Things began to pick up in 1975, last year was not too bad, and this year promises to be good for bigger dealers, though not back to the halcyon days of the 1960s.

Life remains difficult, however, for those less geared to exports and without the expensive stock that justifies the extra travel to trade fairs and clients abroad.

That is particularly true with contemporary paintings, where dealers have the pleasure of seeing one-man exhibitions but also the extremely high cost of that form of "vicious creativity", as Mrs Gillian Raffles, who shows sound figurative work at the Mercury Gallery in Cork Street, called it.

My accountant is beginning to show me an indication, she said. So far, stock of more expensive items are essential to stay afloat.

Cork Street has the highest concentration of modern galleries, three of which belong to Mr Leslie Waddington, and one to his father, Mr Victor Waddington. Mr Leslie Waddington, who has artists such as Elizabeth Frank, Anthony Caro, Allen Jones and many other high flyers on his stock, merged his gallery with the old-established Impressionist specialists, Arthur Tooth and Sons. He has a banker in Mr Alexander Bernstein, deputy chairman of Granada Television.

Mr Waddington said his own heads, which include staff, insurance, transport, rent and rates are about £2,250 a week, or £450,000 a year. Net profit rose steadily to £146,000 in 1977, all far below 1973 level last year.

This year, with the Tooth merger, promises to be very good, he said. Probably only 5 to 10 per cent of turnover comes from one-man shows, but this is a very "disproportionate" share.

"The real money is when you buy, say a Lezer, for £3,000 and sell it for £30,000." He exports perhaps 90 per cent of turnover, mainly to youngish businessmen in business professions and show business, in Germany, Switzerland, the United States, Canada and Japan, with some Middle East clients. "A lot of people earn £80,000 to £90,000 and have £10,000 or £20,000 to spare."

Mr Peter Gimpel, of Gimpel Y&S, in Davies Street, which has branches in New York and Zurich, says his overheads are about £150,000 a year. "If I don't turn home I could live on selling a few pictures a year. As it is, I have to sell about £350,000 worth to cover overheads and pay myself a salary of £10,000." He has always exported virtually everything.

The falling pound has complicated life as well as increasing such costs as travel and transport. "I have to put up the sterling price of, say, Alan Davie's work over here to the dollar level, or his work would undercuts those in the United States and their value there would drop," he said.

He is disheartened by the dearth of reviews of exhibitions in the British press. "We are shut out, and get a kick out of putting on a good show and getting good attendance, even if there is no sale."

A newcomer to Cork Street is Mr James Mayor, whose Mayor Gallery, founded by his father, recently moved from South Molton Street. He worked up to 1973 at Sothby Parkes in New York, and specializes in American painters such as Claes Oldenburg, Ellsworth Kelly and Robert Rauschenberg. Clients are mainly in Switzerland, Germany and Sweden. "They come from a background of money, and have made more," he said.

He needs to turn over £500,000 a year to break even. He misses the way people flock to galleries and museums on Saturdays in New York. "People do not realize Cork Street provides a free education, what the Arts Council and the Tate should be doing, but out of our own pockets."

Miss Felicity Samuel, daughter of Lord Bearsted, of Hill Street, the bankers, started her gallery in Savile Row five years ago, but found the fall in sterling put up the prices of her collection of Californian artists too sharply.

She looked for more British painters and sculptors, mainly abstracts. "The gallery promotes artists. We are positively a part of their career," she said. Perhaps 10 to 15 per cent of sales are to Britons, the rest worldwide.

"In the United States in particular art has a lot of prestige. If you have a large Jasper Johns there, it is the same sort of status symbol as having a Rolls outside your door. Here it is very civilized in London and I would not want to live in a world where every morning people are trying to pinch your clients. We do not necessarily make money every year. But we exist, and that is a feat."

Mr Alec Gregory-Hood, a former colonel, who started the Rowan Gallery in 1962, moving from Belgravia to Bruton Place in 1967, pays his artists a salary every quarter, a practice pioneered by Marlborough Fine Art.

"Some years you get it back, some years you do not." With a staff of four he reckons he can give a satisfactory service to 14 or 18 artists; his best known are Bridget Riley and Philip King.

He exports about 80 per cent. People look at the gallery's large abstracts and say: "There is no way I could get that in my room." Often they are wrong; a big painting, he said, increases a small space. "I did not believe it, but it is true."



Miss Felicity Samuel with her Savile Row gallery's present "line", glass-fibre mouldings of roads and pavements.

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Next: Selling to the rich.

Arts Council willing to risk giving offence for sake of development

By Kenneth Gosling
Arts Reporter

People who are not prepared to have their preconceptions challenged should keep away from contemporary art, Mr Roy Shaw, secretary-general of the Arts Council, says in the council's annual report. They should expose themselves, he says, only to those heritage arts that time has rendered innocuous.

It was right that people should be concerned with the nature and quality of pictures, publications or performances supported by public money. At the same time, the Arts Council, while itself concerned, could not assume the responsibilities of the guardians of the law and public morals.

A little thought would show that it was neither possible nor desirable for the council to censor many thousands of arts activities throughout the country, "which is what would be necessary to satisfy some of its critics."

Referring to the controversy over some exhibitions at the council-funded Institute of Contemporary Arts (ICA) Mr Shaw says that its whole year's work will continue to be taken into account when assessing grants.

"There is always a chance that some one or two of its hundreds of annual activities may give offence to some people. That is a risk that must be taken if the arts are to grow and develop."

The swing from Victorian prudishness should not go as far as the abdication of judgement, he says. "But the business of drawing the line between the merely shocking and the truly objectionable is not, and never can be, an exact science, particularly when society is given by both moral and aesthetic."

While the council was criticized for laxity in the case of the ICA, a different criticism, that of excessive moral rigour, had gone unnoticed. It had decided to issue a catalogue for an exhibition for which it was directly responsible because one paragraph contained mainly four-letter words.

The decision was a hurried one and in subsequent discussion the council felt that the catalogue should have been distributed. It apologized to the two artists concerned.

On support for community arts, he says it would be "robbing Peter Hall to pay Paul" if the National Theatre were to be closed to find more money. Mr Kenneth Robinson, chairman of the council, told a press conference yesterday that the National building was more expensive to run than expected. "We have a very real obligation to the theatre movement throughout the country, and although the National has been an enormous advantage to London and the whole of Britain there is a limit to what we can do in funding it."

The council's grant in aid for 1978-79 would be known before the end of the year, he said. The council has previously pointed out that late notification of the grant is an embarrassment to its clients, since orchestras and theatres need to plan well in advance and want to know what money will be available.

Value for Money (Arts Council, 105 Piccadilly, London, W1V 0AU, 80p). Leading article, page 18

Battle lines drawn over road plan

Regional report

Tim Jones
Barnstaple

A battle has been unfolding in the village halls and public houses of the West Country over the past month as two rival groups have been persuading, consulting and propagandizing to determine how road transport should develop in North Devon over the next decades.

Both sides agree that roads in the area are no longer capable of dealing adequately with the increasing flow of traffic to one of Britain's most picturesque areas, which pays the price for its beauty by a road-shaking invasion every summer.

Their differences, however, are fundamental and emotive, and it is clear that many barriers will be briefed in order to prevent the Department of Transport from achieving its aim of constructing a link road from Tiverton to Barnstaple by the mid 1980s.

For once the Department of Transport is the winner, the whipping boy for its proposals have attracted the support of industrialists, trade unionists, local politicians and MPs.

Ranged against them in weakness are local landowners, other local councillors and environmentalists who fear that a concrete ribbon would devour agricultural land and scar the landscape.

Throughout November the department's road construction unit mounted exhibitions in the area displaying in great detail and attract new industry to the area to combat growing unemployment.

Visitors to the exhibitions have been met by representatives of the North Devon Link Road Action Group. They contend that agriculture, tourism, manufacturing and service industries in the area would best be served by improving existing roads and providing by-passes for villages. They say difficulties on the roads in the area are caused by local bottlenecks, which can be overcome without imposing a "carriage scar on our landscape."

The action group is supported by Lady Margaret Forrester, who thinks a new road would lead in time to a Blackpool-style city on the north Devon coast dominated by big operators. In order to justify it, she says, future governments may urge accelerated industrial growth to the area, until north Devon as it is now becomes a distant memory.

Department of Transport experts strongly deny the claim that a new road would be much more expensive than improving existing routes and claim, indeed, that it would be cheaper. When, as seems inevitable, a public inquiry is held, it seems likely that the loudest voice will come from the people who have filled in the questionnaire, for it is they who will have to live with whatever proposals eventually win the day.

Sir John Garlick favoured as new Environment head

By Peter Hennessy

Sir John Garlick, second Permanent Secretary to the Cabinet Office, is almost certain later this month to be named as Permanent Secretary to the Department of the Environment in succession to Sir Ian Bancroft.

Sir Ian was appointed Head of the Home Civil Service last week and is due to take up his post on January 1. The expectation in Whitehall is that an interregnum at Environment will be avoided.

The Senior Appointments Selection Committee meets in the next few weeks for its last session under the chairmanship of Sir Douglas Allen, the outgoing Head of the Home Civil Service. It is thought that the nine permanent secretaries who make up its membership will recommend Sir John Garlick's name to the Prime Minister once Sir Douglas Allen has consulted Mr Shore, Secretary of State for the Environment.

Sir John, aged 55, is due for a move in October, 1974, he took over leadership of the construction unit established by the Cabinet Office to speed Whitehall through devolution.

With the Scotland and Wales Bills on their way through Parliament, the bulk of its work is done unless ministers impose sudden and unexpected tasks on it.

Sir John has had long experience at Environment. He ran the roads programme in a period when it was absorbing massive public expenditure.

The other possibility for Sir Ian Bancroft's post is Sir Peter Baldwin, who moved from Environment, where he had been Second Permanent Secretary for a short spell, to the Department of Transport when Mr Callaghan reconstituted it in September last year. He is so highly regarded there that the expectation in Whitehall is that the Prime Minister and Mr Rodgers, Secretary of State for Transport, will leave him where he is.

It is not thought that Sir John will be replaced at the construction unit, as his workload is no longer sufficient to carry a permanent secretary.

Fresh look at education 'necessary for society'

By Simon Midgley, of The Times Higher Education Supplement

A fresh look at the British education system from a different standpoint is essential to meet the real needs of society, Dr Patrick Nutgens, Director of Leeds Polytechnic, suggests in a paper discussed here tonight by the Society of Industrial Artists and Designers.

Dr Nutgens argued that the world of action, of making and doing, needed to be studied as "the missing part of a relevant education and a corrective to a dead tradition."

The idea that the ordinary mind dealt with things and the educated mind with ideas, "a pure world of clear and perfect unities not to be found in the imperfect, flawed and confused world of industry and work" was creating a stranglehold on the education system.

The academic factory was now in business, sufficient unto itself. Research, including literary research about matters so uninteresting that no one would be likely to waste to do it again, became the aim of the learned, and teaching a poor second, not indeed what the professors were really there to do.

Among the research a small proportion was of the utmost significance for the future of the world. But for the most part, the research was done in and out, weighing down the library floor, becoming sooner or later itself the stuff for more research and more papers.

Describing the Green Paper emerging from the "great debate" on education as "remarkable for its conventionalism, its lack of ideas and its profound complacency", he said it was based on conventional accepted wisdom, namely that the gifted should go on to academic studies while the less able turned to careers and the world of work.

One of the keys to educational progress, he said, must be to study in more detail the actual process of thinking out practical problems and making.

Any education system that ignores the creative and inventive creative ingenuity was inert and removed from the reality of our world, he said.

Statistics of Education, Volume 6, 1975 Universities (Stationery Office, 58.75).

Men convicted seven years ago are cleared

Four factory workers, convicted seven years ago of plotting to pervert the course of justice, were cleared by the Court of Appeal yesterday.

The four, jailed at Kent Assizes in 1970 for an alleged attempt to frame innocent men on farm charges, had their convictions quashed after Mr Edward Gardner, QC, for the Crown, had told the court that he could not oppose the appeals.

Sedf Randip Singh, aged 45, of Milton Road, Gravesend, Kent; Bakshi Singh, aged 33, of Parrot Road, Gravesend, and Gurmeet Singh, aged 42, of Kenmore Drive, Cleckheaton, West Yorkshire, have served their two-year sentences.

Charan Singh, aged 53, of Daruley Road, Gravesend, has served his 18-month sentence.

Their case was reopened by the Home Secretary and referred to the Court of Appeal yesterday after a conversation between a court interpreter and an Indian immigrant had been eavesdropped in the recording Keral Kalla, who interpreted for the prosecution at the trial of the Singhs, told the other men that they were wrongly convicted and that he had misled the court.

Marriage sentence

Pui Tsui, aged 28, a Chinese waitress, was sent to Ching Gao through a marriage ceremony with an English girl to enable him to stay in Britain was given a six-month prison sentence, suspended for a year, at the Central Criminal Court yesterday.

Student growth leaves staff behind

By Diana Geddes
Education Correspondent

Because of the university teaching staff, an increase in student numbers has led to a large volume of statistics on universities, published by the Government today. It shows that while the number of full-time students rose by more than 6 per cent between 1974 and 1975, the number of academic staff increased by 0.1 per cent.

The increase in student numbers - was the largest recorded in the five-year period 1970-1975; the increase in academic staff was much the smallest.

The number of full-time students in universities nearly doubled between 1964 and 1975, rising from 138,711 to 261,258. During the same period the number of academic staff went up by less than three-quarters, from 18,375 to 31,381.

The rate of increase in the number of women students between 1970 and 1975 was almost double that for the student body as a whole. In 1975 women represented one in three (33.6 per cent) of all students, compared with about one in five (26.4 per cent) 10 years earlier. Women still account for only one in four postgraduates, however.

While the number of under-graduates increased between 1974 and 1975 in each subject group, those reading science subjects showed a much smaller increase than those reading arts subjects. The latest figures, however, which are not included in this volume, indicate that there has been a revival of interest in the sciences.

The proportion of under-graduates reading a science subject fell by more than 3 per cent between 1971 and 1975, but they still account for more than half (52.6 per cent) of all under-graduates. The proportion of postgraduates reading science subjects went up 10 per cent for the second year running, to 42.2 per cent of all postgraduates.

Lucas firms are accused of sanction breaking

By Our Correspondent
Aylesbury

Various summonses alleging that two subsidiaries of Lucas Industries broke the United Kingdom trading sanctions with Rhodesia are to be heard at a special sitting of magistrates at Aylesbury, Buckinghamshire, on February 8.

Civic leaders call £8.75m county hall a bargain

From Our Correspondent
Newport

Gwent County Council, which is against devolution and more local government reorganisation, yesterday opened to the public its new £8.75m county hall complex, which civic leaders said was a bargain.

At a press conference after a year of the final phase, a civic block that accounts for nearly £4m of the cost, Mr J. A. D. Bray, the council's chief executive, yesterday opened to the public the new £8.75m county hall complex, which civic leaders said was a bargain.

The 22-acre site at Croesyceiliog, near Cwmbran, was acquired in 1949 but the first phase was not approved until 1969. Government delays, spending restrictions and inflation have pushed up the cost from an original £800,000 to about 1950.

The complex was worth £11m at present property values, Mr Bray said. Councillor Graham Powell said the new premises would make local government more efficient.

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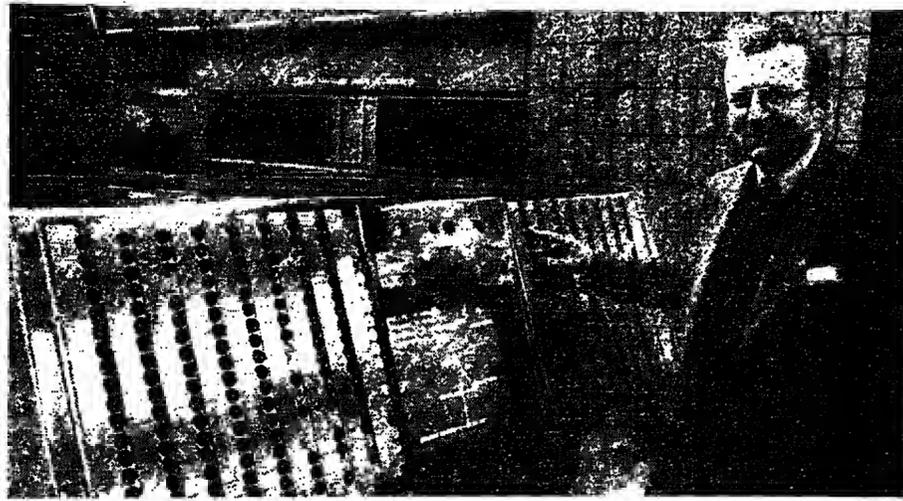
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Advertisement for Devere Crouch (Amier) featuring a list of wine and claret bottles for sale, including Chateau Lafite Rothschild, Chateau Mouton Rothschild, and others, with prices per dozen.

HOME NEWS



Computer-controlled journey planner, with information in three languages, at the new station.

Strike will mean Queen has to walk

By Philip Howard
December 16 will be a black day for London taxi-drivers but a red letter day for travellers. The Queen is going to open Heathrow Central Underground station, the extension of the Piccadilly Line, which has taken nearly seven years to build and cost taxpayers and ratepayers £30m. Heathrow will become the first big international airport directly linked into the Underground system of a great capital city.

will have to climb up or down 40 steps. Mr Michael Robbins, managing director of railroads at London Transport, said yesterday that it had been decided that there would be less public disappointment if the station was opened without escalators than if the opening was postponed. "The Queen knows about it, and will take it in her stride."

A computer-controlled journey planner will project push-button information on a screen in three languages, at least until it becomes the favourite toy of small boys and goes mad. Train movements in and out of the station will be controlled by computer. An electrical substation has been built on the platform behind smoked glass, and closed-circuit television has been installed in the operations room. Cameras are linked to the line controller's office at Earis Court, giving a

view of the platforms at Heathrow. Meretriciously there are a number of seats in the ticket hall, where automatic ticket machines dispense tickets up to £1. There is a sterling exchange for foreign visitors to get enough money to feed the machines. Everything is tastefully decorated with symbols of tailpipes and aircraft. There is what is described as a "kiss-and-ride" zone, where motorists can see down to get into Underground passengers. There are automatic doors and other wonders undreamed of in the travel-worn trail of the Central Line. Specially designed trains with extra space for luggage are being introduced. From Friday week a journey by Underground from Heathrow to Piccadilly Circus will cost £1.50. London Transport estimates that it will take 40 minutes.

In brief

£100 more for drug find man

Mr Russell Davis, a British Airways employee, of Egham, Surrey, who received a £5 reward after finding about £500,000 of heroin, received a personal letter of thanks and £100 yesterday from the Board of Customs and Excise. Customs officers at Heathrow had written to their head office suggesting that Mr Davis should get more.

Holidays in China

Thomson Holidays has been given the permission by the Chinese Government to carry 900 people on package tours to Peking and Shanghai from January to May next year. The 12-day holidays will cost from £575.

Ten held at airport

Ten men were detained by detectives at Heathrow airport, London, yesterday in connection with inquiries into the theft of liquor and other goods from the bar of a British Airways aircraft.

£2m improvements

More than 60 sites in Glasgow are to be landscaped or made into sports pitches, playgrounds, walkways and car parks at a cost of £2m. The area was criticized recently by a Duke of Edinburgh study group.

Correction

The Society of West End Theatre Award for actor of the year 1976 is a revival was Ian McKellen, for his performance in Pillars of the Community, not Derek Jacobi (Hunted) as stated yesterday.

Alarm at growing number of homeless girls

By Penny Symon
The growing number of homeless young girls in Britain, some of them only 15, are alarming voluntary agencies trying to provide shelter for them. In London alone about two thousand girls will be homeless over Christmas. Crisis at Christmas, the charity started 10 years ago to try to relieve some of the poverty and despair of single homeless people, particularly over the Christmas period, says in a report published yesterday that even in the recent past it had been assumed that young girls rarely became homeless. Surveys of 10 and 20 years ago showed a small, but neglected, population of older female "dossers". Although it was impossible to count them, it was estimated that there were no more than one or two thousand women, most of them of middle or advanced age. Presenting the report, Mr Nicholas Scott, Conservative MP for Chelsea and chairman of the trustees, said there had

Students' funds not to aid outside causes

From Diana Geddes Blackpool Correspondent

Students' union funds must not be used to support essentially non-student causes such as union strikes, the National Union of Students decided yesterday. Contributions to such causes should come only from the students' own pockets or specific fund-raising activities. The decision to adopt the policy, proposed in a emergency motion by the NUS executive, was taken by a narrow vote after one of the most heated debates of the union's four-day national conference, in Blackpool, which ended yesterday.

Opponents of the motion argued that restriction on spending attacked the autonomy of individual student unions. They should be able to support whatever cause they liked, including non-student events such as transport to help the Grunwick pickets or contributions to the firemen's strike. Unions should not have to account for their expenditure to outside bodies. The national executive, however, argued that the financing structure must be publicly accountable. It fears that the Government, which is reviewing union finances, may impose restrictions unless unions put their houses in order first. The NUS has received legal advice which shows that requests for purposes not related to the education, social activities, recreation or representation of students are outside the unions' power as defined by their constitutions and their charitable status. In a background report to

the conference the national executive points out that ultra vires payments endanger charitable status and with it such fiscal advantages as exemption from corporation tax on the interest from deposit accounts. Most students' unions are charities. Any student who felt that funds were being improperly used could apply for an injunction in the courts, either to prevent payment or to obtain compensation for union funds if they had been made, the report says. The individual union's principal officers would personally be liable to repay the funds, it adds.

An outside body, such as the local education authority, which pays the union's fees for most students, or the college authorities, may also be able to challenge union payments, the report says. The union has asked counsel for legal advice on the whole issue. It hopes to send guidelines to students before the end of the year. Mr Peter Ashby, deputy president of the union, said it would have been committing political suicide if it had not recognized the need to stop ultra vires payments. The conference decided yesterday to call a national day of action tomorrow in support of the Fire Brigades Union. In keeping with the moderate line it rejected an earlier motion condemning the "racist state of Israel" and supporting the Palestinian cause, and voted instead for a motion recognizing the equal rights of Palestinians and Jews to national determination.

'Loyalist' council broke law

From Christopher Walker Belfast Correspondent

Magherafelt, a "loyalist" controlled council, in Londonderry was found guilty in the High Court in Belfast yesterday of discrimination for refusing to pay two young Gaelic footballers to take part in a government-aided coaching team last summer. The case marked a legal milestone in the continuing attempts to outlaw discrimination in Ulster. It was the first to be brought under Section 19 of the Northern Ireland Constitution Act, introduced in 1973. Mr Justice Murray gave a reserved judgment.

The case arose after the local government elections in the province. A loyalist majority took control of Magherafelt council and decided in July to refuse Gaelic football from the town's government-aided sports or young people swimming, association football and rugby were not affected. Two teenage brothers, Kieran and Patrick Purvis, took the case to court. They received a declaration yesterday that the council's decision was discrimination on the ground of religious belief or political opinion. The judge maintained that Gaelic football was no more relevant, for example, than the fact that one contained more blue-eyed people than the other. He rejected the defence submission that by allowing the Gaelic Athletic Association into its summer scheme the council would be giving aid and support to an association, a sort of government grant. Under its present membership rules, he said, the GAA included a provision that was clearly discriminatory. He described the rule as having a distinctly unpleasant sting in its tail, because it also stated that any member participating in a Servicemen's or police dance would be suspended from membership for at least three months. If the council coaching scheme had directly aided the GAA, and if the council had proposed handing money over to a distinctly unpleasant organization, the defence point would have looked quite formidable, he said. After the hearing, the Rev William McCrea, chairman of the council and a member of the Democratic Unionist Party, said the council's decision had been vindicated and the judgment showed that the Government was breaching the discrimination law in other respects by financing the GAA.

Farmers state case over 'dangerously low' prices

By Our Agricultural Correspondent

Farmers' leaders said yesterday that the Government's latest attempt to shield the beef industry from dangerously low prices was inadequate. They said also that ministers had failed to safeguard the beef trade against cut-price competition that threatened the livelihood of British producers. They were speaking at the start of two days of talks at the Ministry of Agriculture, Fisheries and Food the beginning of their negotiations for the 1978 farm price review. Their team was led by Sir Henry Plumb, president of the National Farmers' Union, and Mr Richard Butler, the deputy

president. The Government has tried to stabilize the cattle market by ending its ban on sales of medium steers into EEC intervention stores. That will increase the potential for a British beef "mountain". Their case was strengthened yesterday that the move merely avoided the central difficulty of farm prices depressed by the Government's use of the "green pound", with which EEC farm prices are expressed in sterling. Their case was strengthened by publication of a report from Exeter University which showed that the proceeds of dairy farming in south-west England were lower than 10 years ago.

Jubilee symphony will be performed unfinished

By Martin Huckerby Music Reporter

The new symphony by Malcolm Williamson, the Australian composer, and Master of the Queen's Music, has not been completed in time for its premiere at the Festival Hall before the Queen on Thursday, and only three of the four movements will be performed at the concert. Mr Williamson explained yesterday that although he had planned his Symphony No 4 as an 18-minute work, it had grown under his hands until it had become "an enormous work" lasting more than half an hour. He has been staying in the Camargue, working with little

sleep to complete the work, but the orchestration of the first movement has not been finished. The London Philharmonic Orchestra will see the score for the first time today and rehearse the work under Bernard Haitink each day until the concert. Similar difficulties affected the premier of Williamson's Mass of Christ the King, which had to be performed incomplete earlier this year. The symphony, dedicated to the Queen, was commissioned by the BBC. It is a highly complicated work: the strings, for instance, are divided into 14 parts instead of the usual five.

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WEST EUROPE

Fears grow among European Nato group over American plans for arms limitation pact

From Henry Stanhope Defence Correspondent Brussels, Dec 5

Mr Harold Brown, the United States Defence Secretary, will have to allay serious fears among the European Nato allies about American proposals for the next strategic arms limitation (Salt) agreement when he addresses the alliance's defence planning committee here tomorrow. This became clear after today's meeting of Nato's Eurogroup, at which countries, particularly Britain and West Germany, expressed concern about some of the implications. The focal point for this concern are the range limitations which seem likely to be imposed in a Salt-2 treaty upon the long-range Cruise missile. Mr Paul Warnke, the chief American Salt negotiator, disclosed these proposals at a meeting of Nato's permanent representative in Brussels last week. If codified in Salt-2, they would limit the range of air-launched cruise missiles to 1,500 miles and, more significantly, would keep the sea-launched and ground-launched ones to only 375 miles. Britain has still not made up its mind about whether it wants to invest in long-range Cruise missiles anyway. It has a strong interest in keeping open the

options, one of which might be a submarine-launched Cruise missile force to succeed Polaris as the country's strategic deterrent. But a 375-mile range would not be far enough for this. Meanwhile, the Germans have an interest in a ground-launched system which could respond to the threat from the Soviet SS 20 missile system or the Backfire bomber. For these reasons they, too, are expected to put their views forcibly to Mr Brown tomorrow or on Wednesday. Official sources were at pains to play down the extent of European feeling after today's meeting. The Eurogroup chairman, Mr Paul Sogard, Denmark's Defence Minister, refused to comment when questioned at an official press conference. Sources said the discussion among Europe's defence ministers ranged over the neutron bomb and the transfer of technology between the United States and Europe. They emphasized that what took place was only an exchange of views and was in no way an attempt to reach a consensus. But one Nro observer described the exchange of views as one of the most far-reaching for many years. Although other countries, like Britain, still

have to make up their minds about the range of weapon systems now under development, they would like to have the options kept open for three more years so they can at least complete their studies. It is generally assumed that Britain for one could develop a cruise missile of its own without American help. But United States technological aid would speed the process and result in a more accurate weapon. Moreover, Britain could not seriously consider developing a system which breached a Salt agreement, even if it was not a direct party to the terms. There was also some impatience at today's meeting with the slow progress made by the European Programme Group which was started two years ago with the object of helping to sell European equipment to the two North American allies. The group, which includes France, has succeeded in working out four major areas where Europe could supply more arms. These include tank ammunition, tactical combat aircraft for the 1980s, minehunters and anti-tank weapons. Moreover, a dialogue has now started with the Americans about the Nato conference of national armaments directors. But some members would like to see both sides get a move on.

King Juan Carlos receives Communist leader

From Our Correspondent Madrid, Dec 5

King Juan Carlos received Senor Santiago Carrillo, the Communist leader, today in the Zarzuela Palace. The audience by Senor Carrillo, some 200 strong, and it was the first time that a Spanish head of state had received a Communist leader since before the civil war.

The meeting was in line with other audiences which the King had accorded to political leaders. The fact that Senor Carrillo was the last to be received underlined the sensitivity which still exists in the military and police circles about the legalization of the Communist Party. Senor Carrillo has publicly declared support for the king on many occasions, although his party continues to favour a republic. The audience was expected to enhance the position of Senor Carrillo, who has won over backwards since his party was legalized last April to show his democratic principles. It was learnt today that the King met the Archbishop of Madrid, Cardinal Enrique y Tarazona, last week to discuss the position of the Roman Catholic Church. The cardinal had complained bitterly that the new Spanish constitution proposed to declare the country a non-confessional state. Left-wing political parties and trade unions in Andalusia called a strike for tomorrow to protest at the killing of a youth during a demonstration

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Talks on nuclear test ban resume

From Our Correspondent Geneva, Dec 5

After a month of assessment in their capitals, delegations from the Soviet Union, the United States and Britain today resumed negotiations for a comprehensive ban on nuclear tests.

Dr Paul Warnke, the chief United States delegate, said progress not only on a test ban but also in the strategic arms limitation talks (Salt) and in the further round of United States-Soviet negotiations on arms limitation in the Indian Ocean, opening tomorrow in Bern. With Soviet acceptance last month of the inclusion of peaceful nuclear explosions in any prohibition—at least in moratorium form—a test-ban treaty is believed to be within reach. One of the main issues remaining is setting the initial duration of armistice.

Rightists shoot Communist

From Our Own Correspondent Rome, Dec 5

Rightist terrorists shot and seriously wounded a Communist youth during a demonstration in Rome today. The victim, a 25-year-old student, was shot in the chest by a young man who was also wounded. The shooting took place in the Via Veneto district, north of Rome, the police said today. Three men armed with clubs, knives and a shotgun last night attacked two local leftists, then seized the gun of a policeman who intervened and fired at a bar, wounding the youth—Reuter.

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Italian airline strike

From Our Own Correspondent Rome, Dec 5

The Italian airline Alitalia cancelled 38 international and 13 domestic flights today because of a 12-hour strike by cabin staff.

Book 'explodes Holmes myth'

From Our Correspondent Geneva, Dec 5

After 4 years of research, Dr Henri Murrux, a criminologist and author of a police chief, has produced a book which "explodes the Sherlock Holmes myth". Dr Murrux, who now lives at Sion, claims in the book that the character of Sherlock Holmes was created by Sir Arthur Conan Doyle, drew his inspiration from a real police officer, and that the publisher of the book, who was a member of the police force, was a member of the police force.

Baader-Meinhof survivor on hunger strike

From Our Own Correspondent Bonn, Dec 5

Ulrike Meinhof, the terrorist who survived the apparent suicide pact in Stammheim jail on October 18 has been on a hunger strike for two weeks, the Baden-Württemberg Minister of Justice disclosed today. Her lawyers say that she is demanding to be put in a cell with or near a comrade, Verena Becker, who is on trial on six charges of attempted murder. Two prison doctors certified that Frau Meinhof was unfit to give evidence today to a parliamentary committee investigating the suicides of the other members of the Baader-Meinhof gang: Andrea Baader, Gudrun Ensslin and Jan-Carl Raspe.

Lip workers form company and make five-year plan

From Our Own Correspondent Paris, Dec 5

After 19 months of occupation of their factory at Besancon, the workers at the bankrupt Lip watch factory have formed a new company with an initial capital of 100 francs (€14,000) divided in shares among the 485 workers. The new company, in the form of a workers' cooperative, was registered last week. Over the next five years the public authorities would have no say in the way the factory would be run. There is a five-year programme mapped out, beginning with taking in clocks and watch tools for maintenance. Later the cooperative plans to start producing work and, still later, to manufacture its own products.

French broadcasting monopoly ruled illegal

From Ian Murray Paris, Dec 5

The state broadcasting monopoly has been successfully challenged in the courts. Although the legal process still has a long way to run, a private radio station in Montpellier has won the first round in a fight aimed at changing the established system of state-run radio and television. The directors could, under the law, have been sent to prison for up to a month and been fined anything up to £4,100. Instead the court ruled on Thursday that there was no case to answer, because according to the Constitution, "liberty of expression and liberty of information are two fundamental principles of French law ever since the Declaration of the Rights of Man." The monopoly was, therefore, contrary to these fundamental liberties. The court also accepted the argument of the defence that France was bound by the European Convention on Human Rights which it had signed 25 years ago. This stated that one right was "the liberty to receive or to communicate information or ideas without any interference by public authorities."

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The ruling has been made the subject of an immediate appeal. Should the pirate radio win that, then the case would go on to the Cour de Cassation which has the power to annul a judgment, thus causing a retrial. The attack on the state monopoly by a consortium led by a senior member of President Giscard d'Estaing's own party has won support right across the political spectrum. The Gaullists are apparently in favour of a more liberal use of the air waves, although they would insist on technical controls to protect airspace. The Republicans are in favour of liberalization, the Communists feel the monopoly has served its time and the Socialists would like to see the growth of local community radio and the Communists have long been critical of the broadcasting monopoly. One of the first reforms carried out by the President when he was elected three years ago was the break-up of the former state broadcasting organization into five autonomous branches consisting of the three television channels, the radio service and the TDF, which produces programmes for them. The idea at the time was that the new system would make the different services more competitive without weakening the principle of government monopoly. In the event, as the debate on the broadcasting budget in

the National Assembly last month showed, there were good reasons, highly critical of the way the system is being run. The former mayor of Montpellier and his lawyer colleagues find themselves the toast of the extreme left groups which have been broadcasting in many areas intermittently throughout this year. The success of the ecological candidates in the local elections of last March seem the result of inspiration of these stations and Radio Vert transmissions which makeshift equipment have been a regular event on Saturday nights. There is at least one radio station operating in Paris, the Gaullist radio station, which has been broadcasting for about a quarter of a century. Universities have been quick to start their own little stations—the one in Lille has transmitted its congratulations to Montpellier—and there has been a growing trade in illegal broadcast sets which sell for about £50. M Jean Autin, the president of TDF, said the week-end that if the state monopoly were broken there would be a danger of France following the Italian example where there are some 2,000 private stations. "The monopoly, for me, still is in the best interests of the entire population," he said. "It guarantees objectivity, will fight against all those who want to disturb the monopoly."

VERSE Seven second with th

S African church persecut

Shah begins state visit to Oman

Murderer is headed

Malaysians hunt clues to identities of death crash hijackers

Kuala Lumpur, Dec 5.—An official inquiry started today into last night's crash of a hijacked Malaysian airliner in which all 100 people on board were killed.

Kenya-Tanzania meeting on reopening border

From Our Correspondent Nairobi, Dec 5.—Teams of senior officials from Kenya and Tanzania met in Mombasa today to draw up guidelines which it is hoped will lead to an early reopening of the border between the two countries.

Pygmy women in salute

Bangui, Dec 5.—Emperor Bokassa led the salute at a two-and-a-half-hour parade of the Central African Empire's forces and civilians here today.

Tory leader's tribute to Yugoslav war record

From Desha Trevelyan Belgrade, Dec 5.—Mrs Thatcher, the leader of the Opposition, today assured the Yugoslavs of Britain's admiration and continuing support for the country's independence.

Social Focus

The various consultants called in by the Government in 1972 to undertake the six towns studies to help local authorities improve the environment in urban areas have produced many weighty reports that have tended to drop like stones into the welter of unread and unheeded documents emanating from government departments each week.

What it is like to be poor today

children, because there is nothing else for them, go into their play centres. They get light to the place and they don't realize the danger they are causing in the next house. For instance, the house that's empty next door to us. Young kids went in there, 18-up to that age even—and they lit a terrific fire. And my baby was in bed. The other children had just had a bath and we were sitting in here watching television.

Time for mothering to come back into fashion

Penelope Leach has spent many years studying the relationships of children to their mothers and tells of women who felt guilty because they were enjoying life with a two-year-old, believing that they should be doing more for their children.

Startling rise in crime on the streets of Bucharest keeps citizens behind locked doors at night

From David A. Andelman Bucharest, Dec 5.—Two separate amnesties in the last six months the Romanian Government has released about 30,000 young criminals and a handful of political prisoners.

Amnesty for criminals misfires

cooperation sites and a range of state enterprises. Thousands have returned to work. Many are understood to have been placed on newly formed construction crews repairing the extensive damage caused by the earthquake that struck Bucharest earlier this year.

Rights plea by 51 Bolivian organizations

La Paz, Dec 5.—Fifty-one Bolivian organizations today asked the military Government to grant a full amnesty to all political prisoners and exiles and to restore all democratic rights.

Man facing firing squad challenges tribunal

Manila, Dec 5.—A Filipino opposition leader, ex-Senator Benigno Aquino, today challenged a military tribunal to examine its conscience and decide if it could really give him a fair trial after having sentenced him to death by firing squad.

Swapo leaders freed after protest

From Eric Marsden Johannesburg, Dec 5.—Mr Daniel Tjongarero, vice-chairman of the South-West African People's Organization (Swapo) and nine of the 10 people arrested with him in the Owambo area on Friday were released today.

Time for mothering to come back into fashion

The current British obsession with self-examination of our society for explanations of its demoralized state might be simplified if we looked for reversible factors. Blaming our Victorian ancestors for their mistakes is profitable only so long as the changes can be corrected by the present generation.

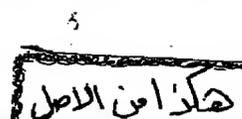
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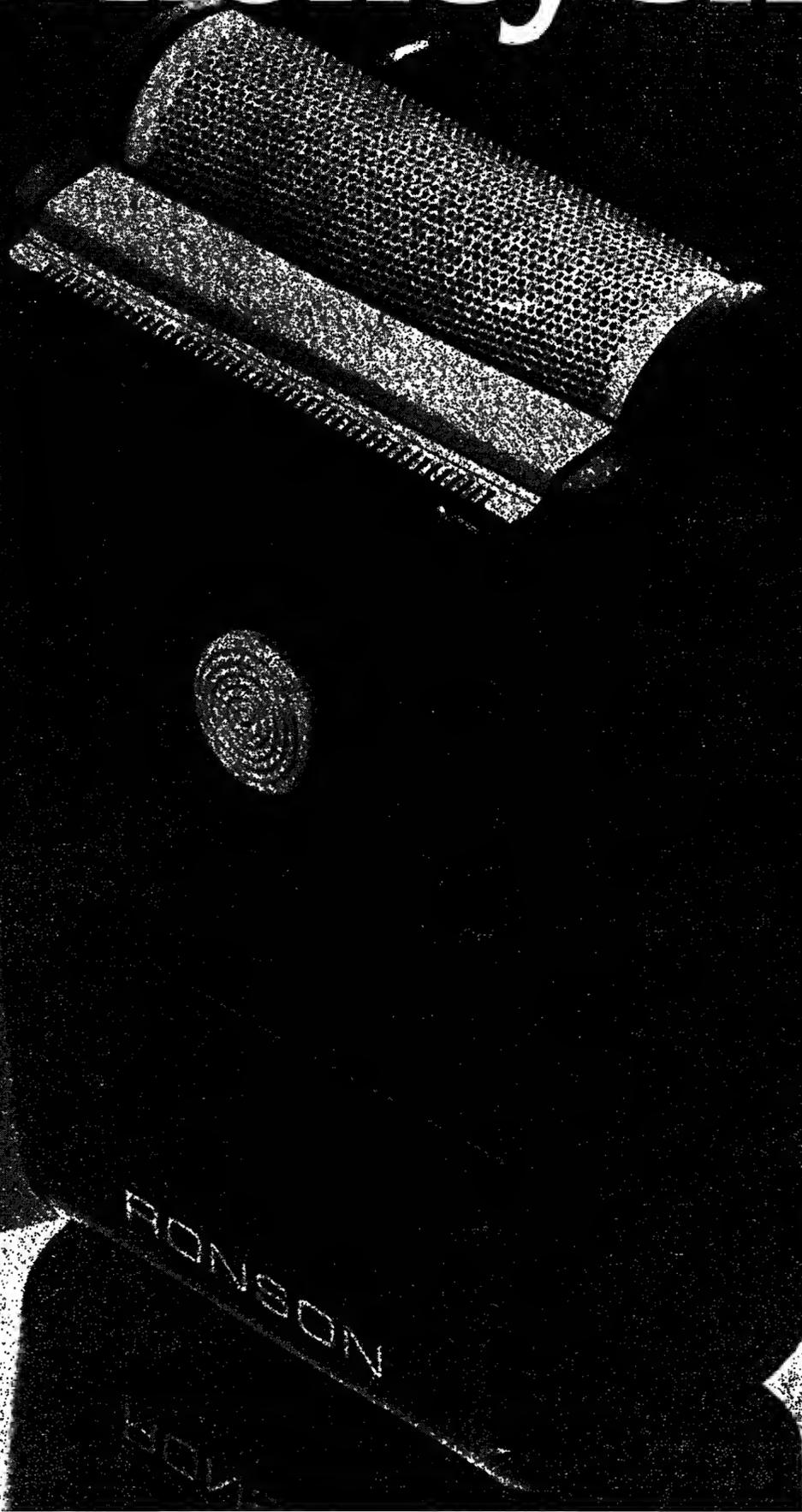
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CINEMAS, EXHIBITIONS, ART GALLERIES, and various local notices and advertisements.



The money shaver.



Pictured here is the Ronson 75 Rechargeable shaver.

It gives you a clean, comfortable, really close shave, anywhere in the world, without the bother of plugs or wires.

But unlike other rechargeables, it's managed to shave a fair bit of money off its price.

In fact, you can buy a Ronson Rechargeable for about the same price as some mains shavers.

Which makes it quite a bargain.

It's fitted with the same foil-head system common to all Ronson shavers, which is recognised as the most efficient, most comfortable way to shave.

With an even more powerful motor than our mains shavers, it makes short work of even the toughest beard.

It's compact. And because it works free of a lead, you don't need to find a shaver point.

With the Ronson Rechargeable, you get as good a shave in your car, on a train or in the office, as you would at home.

And it doesn't cost you any more than some mains shavers.

At Ronson, we make a whole range of shavers. All with our famous foil head.

As well as the standard and luxury rechargeables, we have three mains shavers and a battery model.

Why not treat yourself to one?

Or better still, start dropping hints about Christmas to your wife.

The Ronson 75.
The rechargeable shaver at a mains shaver price.

Bernard Levin

Shame: why did Cheekykaffir have to die and spoil the fun?

I reported here a couple of months ago on the case of John Cheekykaffir, the South African black leader...

I'm very glad about the wonderful election result here. Many of us South Africans are getting pretty sick of criticism from the rest of the world...

sounded like 'It leaves me cold', was actually 'I am deeply, nay profoundly, distressed to hear of the death of this man in captivity...

explained to him in advance that in the matter of Cheekykaffir's death no blame attached to anyone except the local police chief, Colonel Proudly-Swastika...

applications were refused, as was a similar demand for the production of the local police chief, Colonel Proudly-Swastika...

How the Brass-hats fought their way into a retreat

In May 1975 the General Staff announced its plans for the most fundamental reorganisation of the Army since the last war...

James Reston interviews President Carter at the end of his first year in office

Why the Carter charisma is wearing thin

Washington President Carter is coming down to the end of 1977 in a philosophical mood—surprised by the endless complexities of foreign and domestic affairs...



Mr Carter: little hostility but little enthusiasm either.

That was his first point. His second was that while the questions had been troubling Washington for many years before he came here...

was used with the realization of the significance of the two words, entry and homeland, and I don't think those words had ever been used before by an American official...

Help for higher rate taxpayers

An especially attractive Single Premium Policy from Tyndall. If you pay higher rate tax and/or the investment income surcharge, investment income could be an embarrassment...

Tyndall Single Premium Policies. Tyndall Assurance Limited, 18 Canynage Road, Bristol BS99 7UA.

The train now launching at Platform . . .

It seemed entirely appropriate that Edward Heath and I should be on board a special blue and white supertrain yesterday as he set off on his pre-Christmas whistle-stop tour to launch his latest book, Travels.



Hansard comedy of error

Last Friday's issue of Hansard containing the Official Report of the late night proceedings during Wednesday's sitting of the House of Commons contained one of those priceless typographical errors which occur only rarely in this outstandingly accurate publication.

The Lady Vanishes—by demand

For liberated women, some good news and some bad tidings. European Community, the building trade suppliers, have decided to kill off Car Girl (on right), the fantastic lady who has spearheaded the publicity drive for their sex-linked The Diary carried an item about her in July.

كلا من الاصل

Le Monde
LA STAMPA
THE TIMES
DIE WELT

Europa

On the eve of a meeting of Community ministers on the question of monetary and economic union, David Blake explains why such a union is less an economic objective than a political paradox. M Alain Cotta, professor at the Dauphine University in Paris, separates theory from the political policies pursued and Natale Gilio recalls a fascinating incident in the negotiations which took place between Italy and the International Monetary Fund

Latecomer that has lingered

The idea that Europe should build an economic and monetary union, with a common currency for all the EEC member states, came late to the Community but it has exerted a strange fascination ever since. Strangely because the original reason given for it, that it was necessary to prevent an unravelling of the Community's Common Agricultural Policy, has been shown to be false; over the past eight years a complex but workable system has been developed to maintain the structure of the common policy towards farmers while at the same time developing means of protecting individual countries from the direct impact of parity changes on food prices.

It is made all the stranger by the fact that all efforts which have been made in the past within the Community to proceed towards some form of monetary integration have led to disaster. The monetary union of the early 1970s has degenerated into a Snake whose membership bears no relation to the list of members of the EEC.

The reasons for the failure of attempts to build a monetary union are clear. Inflation rates have differed widely in European countries since the beginning of the postwar period, and they show no signs of converging of their own accord. Consequently, the only way that a reasonable balance of competitiveness can be maintained is through a constant shift of policies. Devaluation of a cur-

rency may not provide a painless solution to the economic problems of states which are in payments deficit; but it does clearly offer present itself as the only way of avoiding measures which would lead to a huge rise in unemployment.

Since the reasons for monetary union are so strong, the important question is why it continues to be tried, with the latest, and in some ways the most up to date, defence of the concept coming from the President of the European Commission, Mr Roy Jenkins.

Mr Jenkins's ideas, presented to a Florence audience in the Jean Monnet lecture, provide such a clear statement of the muddled thinking underlying much of the support for monetary union at the moment that they repay further study.

The first, and perhaps most important, misunderstanding, comes from the perennial European obsession with the role of the dollar as a reserve currency and the feeling that this gives the United States an unfair advantage in the world monetary system.

Copying America, either through a desire to emulate, or through an even more intense dislike which vents itself in a desire to outstrip American achievements, has long posed problems to clear thinking within the Community. The American example on the monetary front has caused both of these problems to the EEC.

Even supporters of monetary union admit that trade between continents or

regions is possible without too much trouble under a regime of floating rates, but they argue that within Europe this system poses insuperable difficulties. What they are actually doing in this case is confusing the problems caused by parity fluctuations with the things which make them inevitable.

For the fact is that the divergence between inflation rates between members of the EEC is far greater than that between some of the more successful members and nations outside, such as the United States, which have a good record of price stability. It may be true that the adoption of a single monetary system for the whole of Europe, complete with a Europe-wide monetary authority, would lead in time to inflation rates everywhere coming to the same level. This would happen, however, only at the expense of severe unemployment in those countries where inflation tends to be high.

As Mr Jenkins himself admits, much of the inflationary impulse within countries come from the struggle over income distribution, in which workers fight (usually unsuccessfully) to increase their share of the national cake at the expense of others. Curbing this pressure through tight monetary policy would certainly be a harsh way of reducing unemployment, though some would argue that the price would be worth paying. However, this viewpoint, with its acceptance of Mr Jenkins's statement that "the disciplines of monetary union will be more, not less demanding"

does not fit in with his other view— and the view of many who argue for monetary union—that it will somehow make it easier to deal with unemployment.

Having a common currency would make it no easier and no harder for Europe as a whole to run its economy at a higher level of demand. Since Mr Jenkins, who at other times seems to believe that tight monetary policies defeat inflation, becomes convinced of the need to take an expansionist stand when he turns to the problem of unemployment there seems no clear economic logic in his stance.

Indeed, at bottom the arguments for economic and monetary union have never really been about economics. They are about the fact that tying the currencies and economies of nine governments together would be possible only if an enormous convergence had already been established and if there were a willingness to make the further sacrifice of sovereignty which abandonment of their control over national currencies would entail.

Such a close union might well be in the interests of everyone in Europe; but it is more likely to be built by the slow and steady practice of working together in areas such as industrial policy, where the scope for gains is clear to everyone, than in the pursuit of some abstract notion of the way the world could be. No one solves problems by imagining how nice it would be if they ceased to exist.

D.B.

Many a slip on the road to Rome

It was not until Sunday, March 13, that Mr Alan Whitmore, head of the European department of the IMF, and his aides—Mr Peter Fioch, Herr Albert Schmidt and Signor Umberto Dell'Anno—succeeded in completing the text of the letter of intent that the Italian Government was to sign to get the \$550m loan that had been asked for so long ago.

For the first time, after many months, Mr Whitmore felt relieved: at long last they had reached the end of negotiations that had been started a year previously, only to be interrupted a number of times and then resumed at the last moment when they appeared to have faded finally beyond recall. The troubled Italian political situation had only complicated matters. The Treasury Minister's chair was now occupied by Signor Gaetano Stammati, in place of Signor Emilio Colombo.

After years of friendship the two cordially detested each other. Signor Stammati, now released from a protective armour that he found too restrictive, accused Signor Colombo of having bequeathed him a ministry that was falling to pieces. Signor Colombo, from Strasbourg, where he was busy presiding over the European Parliament, replied that for 20 years Signor Stammati had been one of the people most responsible for that ministry.

From the feud between the two, those working with them had also suffered. One especially was Signor Ferdinando Ventriglia, director general of the Treasury, whom Mr Whitmore had met in Paris in October 1976 with Signor Mario Ercolani, director general of the Bank of Italy.

He remembered with admiration their tenacity, and the skill with which they had defended the tax on foreign currency purchases, imposed to protect the lira against speculation. With their collaboration the first conditions for the letter of intent had been drafted: a reduction of at least 5,000,000 lire in the enlarged public sector deficit, and the revision of the machinery of the *scala mobile*—the threshold payments system.

At Rome he had found other negotiators such as Signor Vincenzo Milazzo, principal private secretary to the Prime Minister, Signor Andreotti and government auditor, and Signor Antonio Fazio, head of the research department of the Bank of Italy. With them he had started to unravel the tangled skein of Italian public finances. He had only seen the Treasury Minister twice—once on his arrival, and once one evening at dinner.

Mr Whitmore sat thinking about all this after he had finished digesting his notes. His long sojourn in Rome had brought at least one benefit. He had been able to see again such true friends as Signor Sergio Siglienti, with whom he had shared an apartment during their first years in Washington, and who had now become a senior manager in the Banca Commerciale Italiana.

Signor Umberto Dell'Anno broke in on his thoughts: "Perhaps we ought to redraft the letter of intent. I heard that it is unlikely the trade unions will accept a freeze on negotiations at company level, and the exclusion of indirect tax increases from the *scala mobile*." Mr Whitmore had looked at him amazed. "But the government, according to Signor Milazzo, has already heard the trade unions' views on this. Signor Milazzo never said anything about trade union opposition, anyway, we shall give the text to the Bank of Italy tomorrow, and then we shall see."

On Monday morning the document, in English, arrived on the desk of the Governor of the Bank of Italy, Signor Baffi, who had been kept constantly informed by Signor Fazio, already know its contents. It did not take him long, therefore, to summarize the main points with Signor Ercolani. He ordered the text to be translated into Italian, so that it could be given to Signor Stammati on Tuesday evening on his return to Brussels.

Signor Stammati did not take long to read it. The somewhat severe conditions seemed acceptable to him, in view of the gravity of the Italian situation. At last he could tell Signor Andreotti that the negotiations with the Monetary Fund had been concluded, and soon the loan, which was so necessary to give Italy new credibility internationally, would be available.

Signor Andreotti, who had been informed by Signor Milazzo, knew that the negotiations had been concluded, and was full of praise for the hard work done by the Treasury Minister. He asked him to give Mr Whitmore his best wishes and thanks for his collaboration, saying that he was "a good friend to Italy".

As soon as Signor Stammati had left, Signor Andreotti sent for Signor Milazzo and his trusted economic adviser, Signor Luigi Cappugi. He wanted their assurance also that there would be no difficulties from the trade unions and the political parties regarding the conditions contained in the letter of intent. Signor Cappugi preferred to remain silent. Having been kept out of the negotiations, he did not consider he should offer an opinion. Signor Milazzo simply confirmed what Signor Stammati had said. "But have the trade unions been advised?" Signor Andreotti asked. "I think so. All contact has been through Signor Evangelisti." But the President was not convinced. His political sixth sense told him to check.

The following evening at precisely 7.30 the director general of the Treasury went into the President's room on the first floor of Palazzo

Chigi. Signor Andreotti went straight to the point, asking for an expert opinion on the letter of intent. To his amazement Signor Ventriglia replied that he knew nothing of its contents. "The Treasury Minister decided not to keep me informed." "Well", Signor Andreotti rejoined, "he gave me the text yesterday evening. Would you mind looking at it, and telling me what you think?"

Signor Ventriglia read the letter of intent carefully, while Signor Andreotti signed a number of urgent papers. "Well, what do you think?" "In the main", Signor Ventriglia replied, "the letter reflects what Signor Ercolani and I discussed in Paris in October. But I am rather worried about the clauses concerning threshold payments. It is unlikely the unions will want to accept them."

So Signor Andreotti's sixth sense had not misled him. "In your opinion, could they be altered?" "It is hard to say", Signor Ventriglia replied. "Perhaps that could be discussed. The important thing is that one way or another, increases in threshold payments should be kept within the agreed limits."

And so, as Signor Andreotti said, they would have to see Mr Whitmore again. "Do you know when the IMF delegation is leaving?" "I heard Signor Ercolani say that their flight to Washington is booked for Monday next." "Very well, let me think a bit. But please cancel all engagements. I may call a meeting with the Treasury Minister and the governor, at which I should like both you and Signor Ercolani to be present."

On Sunday morning, March 20, at 10 o'clock, the blue Alfa Romeos of Signor Stammati, Baffi, Ventriglia and Ercolani passed through the main gate of Palazzo Chigi. Signor Andreotti guided the discussion with great skill. He said they must protect themselves from any opposition on the part of the trade unions, and put forward as his own idea the alternative suggested by Signor Ventriglia. Signor Baffi agreed immediately. Signor Stammati tried to resist, pointing out that the commitment had already been entered into, but in the end he was convinced that it was perhaps worth talking to Mr Whitmore again. Except, as he pointed out, that he did not know how to contact him, since they had already said goodbye to each other. Signor Ercolani then mentioned that he had seen Mr Whitmore in the early afternoon at the Olympic Stadium, at the Lazio-Naples football match. One of the members of the delegation, Signor Dell'Anno, was a Neapolitan, and had said that before returning to America he wanted to see his team play. Tickets for the match had been presented by the Bank of Italy.

At 5 pm Mr Whitmore, dressed informally without a tie, returned to the Treasury, driven by Signor Ercolani. Signor Stammati explained the position, adding that the President was worried about opposition from the unions, and the feeling was that it would be wise to leave room for manoeuvre. Above all, social tension in the country gave appreciable grounds for concern. The day before, at a demonstration at Bologna, shots had been fired and two people had been killed. He hoped, of course, that no alterations would be necessary, and expected to be able to send the signed letter of intent to the director general of the fund, Herr Witteveen, the next week.

Signor Stammati's hopes were soon shown to be unfounded. On March 28, at a meeting requested by Signor Andreotti, the unions dug their heels in. They would never accept having the effects of increases in indirect taxation disregarded for the purposes of threshold payments. The most they could accept was that the effect of such increases should be reduced so that the trade union cost of living index should not exceed the average levels shown in the letter of intent.

This was an insuperable obstacle. Signor Stammati telephoned Washington, and attempted to explain the difficulty to Mr Whitmore without success. So Signor Andreotti asked him to take the first aircraft to America, confident that once he was there the fund's managers would understand. With Signor Stammati he sent the faithful Signor Milazzo.

It was a lightning trip that lasted very few hours, but made the telephone wires between Rome and Washington white hot. While Signor Andreotti was still negotiating with the unions, Signors Stammati and Milazzo received an icy welcome from Herr Witteveen, annoyed with "these Italians who are incapable of honouring a commitment". But Mr Whitmore mollified the director, pointing out that certain changes had been foreseen in Rome, and from there on, everything became easier. Signor Stammati informed Signor Andreotti that, as far as the IMF was concerned, there were no obstacles. The President in turn succeeded in closing the negotiations with the unions.

A few days later the head of the European department of the fund received the letter of intent signed by the Italian Treasury Minister, and passed it to the fund's board of directors, marking the file on the Italian negotiations "closed". Instead, it was a file destined to be reopened more than once. First, at the end of July, when it was realized that Italian government expenditure had greatly exceeded the limits that had been fixed. And then in September when Signor Stammati, recognizing at this point that "the concern" expressed by Mr Whitmore in a previous letter was more than justified, was obliged to ask for changes to be made to the clauses regarding expenditure for 1977 and 1978, and the public borrowing requirement.

N.G.

Keynes is still the inspiration

It is fashionable to claim that J. M. Keynes is no longer the inspiration behind our economic policies—which, incidentally, are becoming less and less effective in dealing with the most pressing social problems of the day: unemployment and inflation.

Every nation lives primarily by its excesses, so that one should not be surprised that this particular one is faring none too well. The fact is that our economic policies are still almost exclusively Keynesian, despite the whole Western world's shared experience over the past 30 years of exceptionally rapid growth and even despite the major upheavals inherent in the realignment of world price relativities.

As one can scarcely make the assumption that all those who make reference to Keynes have troubled to read him, it is worth recalling that the essential objective expounded through the painstaking logic and subtlety of his general theory is to attain full employment of labour and hence the potential growth rate determined by the working population and the state of existing physical capital.

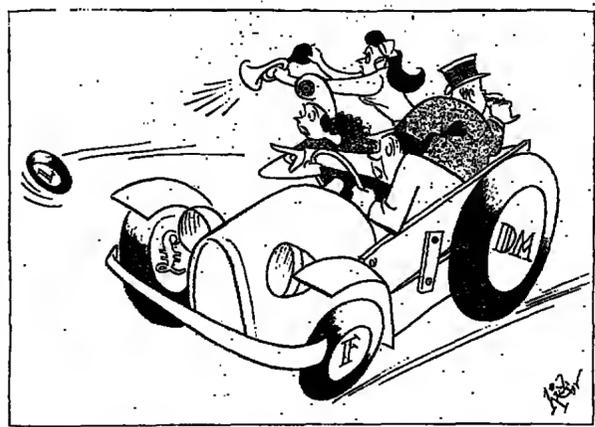
There are many means of achieving this end and they are complementary rather than interchangeable. They take shape to become Keynesian reform through the accumulated effects of easy monetary policy, preferential development of the public sector (or the non-private sector) and protectionism, or rather rejection of international free trade when it is damaging to domestic growth.

In each of these three areas, scarcely any change is discernible other than a heavier emphasis on Keynesian options. And, happily, the failures seem far less obvious than some would have us believe.

It is clear that all our monetary policies have become chronically easy. For all the monetarists' frenetic activity, there is no country in the West where the growth of the money supply is not far in excess of the growth in the real national product or where the real interest rate (nominal rate less the inflation rate) has not been reduced to nil or near it. In other words, no nation has succeeded in achieving survival and growth without inflation.

Should this be construed as a failure? Although close scrutiny of monthly inflation rates has become a pastime which governments everywhere have in common and, despite the development of the intriguing game in which voters and governments conspire to perpetuate the myth that fitness to hold office is to be measured in terms of success in combating inflation, it is not regarded as evidence of failure.

Historically, for reasons closely bound up with the way our Western economies work, there has been no



growth which has not led to inflation, in the short term and in the long term. This indeed was one of Keynes's messages, stated implicitly but firmly and justified at the time in terms of the relationship between the level of investment and the rate of interest, that is to say, the volume of the money supply.

Today this justification should be extended to embrace all the factors entering into economic and social life. There are no longer any social groups which do not stand to lose by a swift and heavy fall in the inflation rate. Households now feel the effect of real indebtedness at least as much as companies. Banks' fortunes are determined by the growth rate of the gross national product, whatever the inflation. As for ministers of finance, inflation erases them to balance their budgets, whereas only a few short years ago there were those who had thought that all hope of doing so would have to be abandoned.

All central banks are now faced with the kind of threat to their power which the Bank of England had to meet alone more than 40 years ago. Contemporary economic policies cannot therefore be other than inflationary. Clearly this does not mean that they must be resolutely so, nor that there are not certain constraints. It would be superfluous to give encouragement to such strong tendencies which are thriving so well by their own devices. On the contrary, it would perhaps be better to take steps to prevent them from pushing inflation to such levels that all illusions would be dashed.

The crucial point is that inflation in any given country cannot be isolated

from inflation elsewhere; it is imported and exported and, above all, it is relative. Although absolute inflation can reach high levels, the same is not true of relative inflation—the difference prevailing between inflation in one country and in those surrounding it. Here, as always, the constraint comes from outside.

The countries which create order around themselves are precisely those which, for a variety of reasons, have least need of inflation to achieve real growth. However, as we are seeing today, they are accused of exporting deflation simply because they sortle for an inflation rate of between 4 and 5 per cent and are obliged sooner or later by friendly or less than friendly persuasion to forgo a domestic success which is causing difficulties for the wider community to which they belong. Who would call being placed in this position a failure?

The growth of the public sector is Keynes's second recommendation and is more closely associated with the objective of full employment. Though it is not presented as a recommendation, it is the inevitable consequence of all manner of public interventions (investment, consumption, and so on), nor least deficit budgeting.

This is probably the field in which present policies are most systematic and uniform. Moreover, it is interesting to note the tone of measured discretion in which the most massive budget deficits have been announced recently by the governments of the reputedly most liberal countries. In 1975 the budget deficit was almost 7 per cent of gnp in West Germany and 5 per cent of gnp in the United States, and is now running at between 3 per

cent and 4 per cent of gnp in all economies. The Keynesian revolution has become a way of life—more so than could have been expected—and this is further underlined by the fact that a threat of depression could only be eliminated by massive increases in incomes created by government.

Who would claim that these policies were a failure on the ground that, despite their intensity, unemployment has not been eliminated completely, or alternatively that the recovery would otherwise have brought back growth more quickly and more fully?

It is nevertheless clear that the western world was only able in 1974-75 to avoid a crisis on the scale of that of 1929 by recourse to the only remedies which we are able to manipulate without grave error: the Keynesian palliatives. It is equally clear that the persistence of unemployment cannot be considered with the unconcern condoned by the loose use of this term which owes too much to now remote history.

Although it is desirable, and probably necessary, for the Western economies to show their ability to continue to grow with minimal unemployment, it is becoming obvious that they are able to support the present levels without social disturbances of the same kind and the same intensity as those experienced before 1939. The fundamental reason for this is that living conditions for the unemployed are no longer what they were, because of important social changes. The latter cannot have failed to increase voluntary unemployment which, like moonlighting with which it is sometimes combined, enjoys more immunity to indiscreet inquiry.

The extent of the failure of present policies is undoubtedly less than it seems and equally undoubtedly much more circumstantial than definitive, such has been the increase over recent years in our economies' capacity to solve employment problems through the growth of the public sector. This has not been the only means used; in many cases, the desired result has been achieved through organizations which defy the simplistic contrast between the private and public sectors. Nevertheless, in all countries, with the vicissitudes of economic policies which are often presented as diametrically opposed (stop and go), the proportion of employment in the private sector has declined consistently to the point of exposing what has now become a fundamental divide between the market and non-market sectors, as perceptively analysed by Bacon and Ellis.

While one may question the wisdom in today's circumstances of pursuing an economic policy which is not based

Continued on next page

Facts and figures

Table with columns: Rate of growth, Quality of growth (Prices, Unemployment), Maintenance of growth (Productive capacity, Foreign trade, Vulnerability to external factors). Rows: GERMANY, FRANCE, ITALY, BRITAIN.

Inflation rate levels off

During 1977, amid all the disappointments caused by the abortive efforts to stimulate the inflationary economies into dragging the others out of stagnation, there at least has been the consolation of one success: almost all the big Western countries have achieved a significant reduction in their respective rates of inflation.

This is illustrated by the graph for the average rate in our four countries, which has fallen from its peak of 12.5 per cent in January to 6.5 per cent for the period August-October. In other words, the inflation rate has been almost halved in little over six months, no mean achievement.

4 per cent, has been able to make further progress, with wholesale and retail prices almost at a standstill over recent months thanks to the rise of the Deutsche mark and wage moderation.

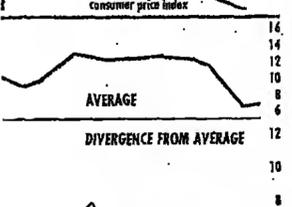
Only France has thus far failed to achieve sufficiently significant results, although the increase in wages has been brought down from nearly 20 per cent to roughly 10 per cent, while prices of raw materials and wholesale prices have eased as they have everywhere else and, except during the recent period, the franc has remained firm, against the dollar that is. Nevertheless inflation is still running at 9 per cent and resisting all efforts to bring it below this level apart from artificial measures such as tax reductions or price freezes.

(which is shown up clearly in the graph on industrial production, where it can be seen that Italy's performance is the worst of the four countries). According to the Italian employers, the 2 per cent growth in gdp officially forecast for 1978 is insufficient; the target should be 4.5 per cent, even if that meant that the external deficit would rise again.

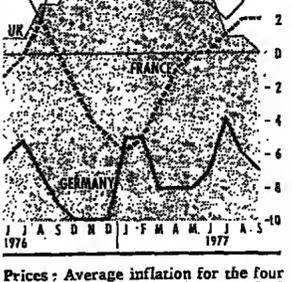
Increased economic activity, then, is the order of the day, but not at the expense of the ground gained in the campaign against inflation. The Americans have shown that this can be done. The main effort, therefore, will be needed on the domestic front from each individual country, most specifically through keeping wage increases at a reasonable level. That is the first priority in Britain, for instance, where employers are no longer being called upon to impose sacrifices as in the earlier phases, but to hold the line at a general limit of 10 per cent in the face of a rising tide of claims.

Italy needs to carry on combating the adverse effects of the threshold arrangements (particularly in view of the ominous October rise in the inflation rate), while acting to halt the decline in activity. In France, the effort needs to be directed primarily at non-wage incomes.

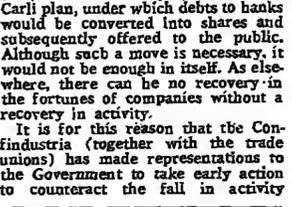
PRICES



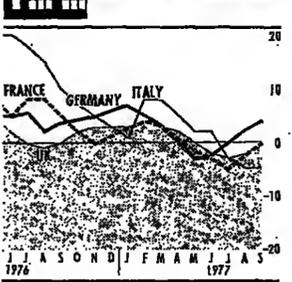
INDUSTRIAL GROWTH



FOREIGN TRADE



UNEMPLOYMENT



United States: Comparative situation and influence

Industrial growth (●) The improvement in the news about general activity continues. In particular the index of leading indicators recorded a third successive rise (0.3 per cent) in September, after 0.2 per cent in July and 1.4 per cent in August. Retail sales, which were down 0.2 per cent in September, forged ahead again by 1.8 per cent in October, a month which saw a record number of housing starts (almost 2,200,000 on a annual basis).

United States: Comparative situation and influence

Prices (○) The favourable trend in retail prices is continuing (up 0.3 per cent in September, an annual rate of just over 4 per cent over the past three months). By contrast, the acceleration in wholesale prices which started in September (0.5 per cent) continued into October (0.8 per cent), the main cause being a 2.4 per cent spurt in farm prices in October alone.

United States: Comparative situation and influence

Unemployment (○○) Since April the statistics of unemployment as a percentage of the workforce have hovered at about 7 per cent without any significant change, as witness the monthly figures: 6.9 per cent in May, 7.1 per cent in June, 6.9 per cent in July, 7.1 per cent in August, 6.9 per cent in September and 7 per cent in October. On the other hand, the numbers in employment continue to rise steadily.

Tax-free magnet draws writers, artists

In the past eight years more than a hundred writers and artists from all over the world have decided to move to Ireland. With famous names like Frederick Forsyth and Len Deighton among them, they represent the advance guard of the dense crowd of intellectuals attracted to the Republic of Ireland by a magnet that has proved irresistible—the law which exempts residents from paying tax on any revenue produced by creative work.

This is, one example, perhaps the least well known but no less significant, of the success that has been achieved by the package of incentives worked out by the young Irish Republic to give a fresh boost to the disorderly mechanism of the internal economy, which was threatening to condemn the country to a position at the bottom of the European Community league.

But, writers apart, there is no doubt that the Dublin Government has backed a winner in launching a series of revolutionary proposals that have immediately been snapped up by the business world. Ireland's great need was to steer its way clear of the sandbanks of the recession caused, to a greater extent than elsewhere, by the joint effects of two economic factors—on the one hand the predominantly agricultural structure, slow and hostile to the pressures for industrial change, and on the other the outflow of labour which, massive though it was, was not sufficient to offset the worrying increase in unemployment.

The incentives that were promised—and, what is more, have been granted—have brought about what the Dublin Government has described as a "real miracle". In 15 years 662 foreign companies have been "persuaded" to establish themselves in Ireland, with a total capital investment of £547.6m and the creation, as a result, of 76,670 new jobs.

Among the facilities offered the main incentive was 100 per cent exemption from income and other tax on profits deriving from the export of goods produced in Ireland, up till April, 1980. The threat of double taxation no longer hangs over repatriated profits, as a result of the agreements in force with 19 countries; and that is not all.

A concession that can amount to as much as 120 per cent, in the case of factories built in depressed areas; investments are supported by non-repayable subsidies, which go from 35 per cent to 50 per cent; the Government bears the cost of professional training and even goes so far as to finance, generously, training courses for technicians and managers, and is open-handed in granting loans and assisted contributions for research, development, and the construction and rental of production centres.

A remarkable feature is the absence of bureaucratic delay, which has always been the classic obstacle in the way of all good intentions. From the time the feasibility study for a project is presented up to the time the grants are available, no longer than a fortnight passes, which is a record in keeping with the whole style of "Operation Taxation Paradise" as imposed by the IDA (Industrial Development Authority), the government body which has flung the doors of Ireland wide open to foreign investment.

No wonder, then, that so many companies have taken the bait offered to them so effectively; the Irish do not ask for shareholdings in foreign companies, and scrutiny of balance sheets is reduced to a minimum (thus many multinationals can artificially inflate the profits of their Irish branches).

Of the foreign companies that have set up in the Republic of Ireland since 1960, the proportion of English companies has fallen from 97 per cent to 32 per cent, followed by the Americans with 30 per cent and the Germans with 19 per cent.

In the investments sector America has taken the largest share, almost 48 per cent of the total, with £265.3m; the United Kingdom has invested £91.4m, Holland £67m and Germany £48.2m. The rest of the industrialized nations (Austria, Australia, Canada, Denmark, France, Italy, Japan, South Africa, Sweden and Switzerland) have "gambled" £75.7m in Ireland.

Which direction have these investments taken? In top place of preference are the textile complexes, electronics, chemical factories, and industrial machinery. These include the Thermo King Corporation, a subsidiary of the American Westinghouse, which has opened a plant for producing refrigeration units near Galway; the German Boehringer pharmaceutical firm; the French firm T&M mécanique Electrique; the Italian

Ferrero confectionery firm, and Glaxo, manufacturing veterinary products.

For all of these, and for the other tax refugees, the acres which decided the issue were always the same: low labour costs (the average hourly wage for the Irish workman, including social security contributions, is \$2.73 compared with \$3.28 in England, \$6.41 in Germany, \$5.62 in France and \$5.23 in Italy); a relatively calm trade union climate (the local unions have so far refrained from declaring war on the multinationals) and the great efforts made by both the Government and the Opposition to respect the commitments entered into by the IDA.

If, therefore, the advantages for foreigners are obvious, there have also been considerable benefits for the Republic of Ireland from its courageous policy of giving industrial incentives, and the most remarkable progress has been in the employment sector. In 1960 the country was only able to "invent" 250 jobs a year, a sad state of affairs that fed the scourge of unemployment and drove hundreds of thousands of Irishmen to look for work abroad. Now the trend has been reversed. Since 1973, 30,000 Irishmen have returned home to jobs in industry, the rate of growth of gnp is about 3.5 per cent a year, and exports have risen by 18 per cent.

On the other side of the coin there still remains the high rate of youth unemployment—which is almost three times the average for the EEC—and the low availability of skilled labour. As one foreign manager says: "The Irishman could certainly not be called the perfect worker. He is slow to learn new techniques, and has a marked fondness for absenteeism; in short, he has still a long way to go in order to acquire the necessary approach to work."

So far, about 60 small firms have given up. They all closed in Ireland for the same reason; the gain from tax exemption was more than lost by the import of efficient and, above all, punctual workers.

Many eyes have already turned apprehensively to 1980, the year in which the tax facilities should end. Their renewal will depend to a large extent on whether new oil deposits are found on the Irish continental shelf, in the region of Cork. In that case the Republic of Ireland could become self-sufficient in energy, and hence come to do without foreigners, a possibility which Dublin likes and the outside world likes less.

Piero de Garzaroli

Keynes is still the inspiration

Continued from previous page on the work of all and which assures the full employment on the basis of the work of just a few people, one can scarcely deny that this was the quid pro quo for a degree of social peace. Nor can it be gainsaid that the policy is likely to continue, and even be accentuated, in the future if as many technological innovations are introduced in such sectors as news, communications and management as were applied to industrial activities at the beginning of the last century. If this proves to be the case, it is difficult to see how it will be possible to take any other course than in the past, whatever the complications.

Keynes is still the inspiration

policy which is clearly unsuited to today's conditions is probably its protectionist content. That is not to say that the recent problems in international trade do not make the return of accentuation of certain forms of protectionism highly probable, but the scale of such manifestations of protectionism could only be limited. There is no comparison between the extent of integration of the world economy today and in 1930. Then it was possible, and indeed justifiable, to explain to a nation—the British—that it was beginning to pay too high a price for its declining domination and that it was better to withdraw from the world which it had fashioned almost alone and not without benefit to itself.

Keynes is still the inspiration

It is no longer possible for most Western nations to withdraw from the outside world since, although they are not fully aware of it, they are now part of a world economy. Devaluation is no longer an effective expedient to cope with an oil deficit, and unemployment exported through the door comes straight back in through the window.

Inflation is not the only shared experience. There are those who may be satisfied with explaining the inadequacy of the policies that have not progressed beyond Keynesian principles by blaming the purely national character of the theory underlining them, but they would be deceiving themselves.

A.C.

Copper forecasts missed mark

Just as the economic forecasts of world-wide economic recovery by the second half of 1977 have proved false, so predictions of prices for copper, the most important non-ferrous metal, have been wrong. Most forecasts were agreed that copper prices would rise considerably in the second half of 1977.

In fact copper prices on the London Metal Exchange and the New York Commodity Exchange are only just above the low for the year, at £645.50 a tonne and 54 cents a pound respectively. These prices are below the depressed levels of last year.

There is, admittedly, a strong connexion between the inaccurate forecasts for the economies and for copper. Copper is a primary commodity, subject to extreme fluctuations in price. The principal consumers are the electrical engineering industry and other industries particularly affected by the state of the economy, like mechanical engineering and construction. And the electrical engineering industry has been delaying investment in the face of repeated appeals to save energy, and has hence bought less copper than usual.

halied, Amalgamated Metal estimates that by 1980 the ratio will be more than 50 per cent. This overproduction is particularly surprising because the market price (now 54 cents a pound) means that only very few firms can produce copper at a profit. The experts of The Economist Intelligence Unit give 65 cents a pound as the minimum break-even point for the bulk of copper producers. Production costs in the United States are actually 80 cents a pound, on average.

The reasons for the present unsatisfactory state of affairs are to be found in the later 1970s. Expectations of rising copper prices led the industry to open new mines and expand capacity. At present, according to Charter Consolidated figures, only 85 per cent of capacity is in use, on average, but this level of operation is still high enough to lead to further increases in stocks.

At a time of falling prices, the developing countries, in particular, are attempting to keep their earnings from copper stable by increasing production. Copper is the second most important commodity produced by these countries and is one of the 10 "core commodities" for which the developing countries are trying to get commodity agreements with the industrialized countries aimed at stabilizing prices.

stabilization for now would be a cut in production of at least 10 to 15 per cent. This is, however, rejected by the CIPEC countries. An even more radical proposal comes from Mr Joseph Zimmermann, a director of Miles Metals Company, New York; an immediate halt to production, and assumption of a quarter of current stocks by market support institutions. This would produce a state of balance in the market by 1980.

Other experts believe that this would be abrupt but automatically if present low prices continue for any length of time. This is because most producers are selling below production cost, and would be forced in the longer term either to reduce production or to go out of business altogether. This group argues that the lack of willingness to invest among copper producers will bring about a state of copper shortage by the beginning of the 1980s. The question then would be not how low can copper prices go, but how high.

Leo Fischer

Europa advertisement with logo and contact information for editorial committee and executive editor.

A to Z of the EEC

Useful forms of shorthand or polite euphemisms? A glossary of some of the commoner terms that have become part of the language of diplomacy in Brussels and what they really mean.

ACPs: African, Caribbean and Pacific developing countries granted financial aid and trading concessions by the EEC under the Lomé Convention. Association: status first granted by EEC in Greece; and now enjoyed by other Mediterranean countries; going beyond mere trade agreement but falling short of full Community membership.

CAF: Common agricultural policy.

Common customs tariff: common tariff levied by the Nine on imports from outside the Community.

Communautaire: French term meaning roughly "community-minded". Certain states, notably France, are generally acknowledged to be much more skilled than others, notably Britain, in dressing up self interest in *communautaire* disguise.

Community preference: doctrine that EEC countries should give preference on their markets to imports from other member states, particularly in agricultural trade. A controversial exception are Britain's imports of New Zealand dairy products.

Coreper: abbreviation of French title of the committee of permanent representatives, the ambassadors who head the national missions of the Nine accredited to the European Communities in Brussels. The committee prepares meetings of the Council.

Council: Council of Ministers, the

body which represents the Nine and takes decisions on the proposals submitted by the *European Commission*. Not to be confused with the *European Council*.

Court of Justice: sits in Luxembourg; its main function is to rule on alleged infringements of the Treaty of Rome.

Derogation: euphemism for permission to break the rules. EEC member states are asked to accept common rules in principle, but allowed many *derogations* in practice. It is the basis of the EEC's survival.

Directive: proposal by the *Commission*, which, if approved by the Council, leaves member governments free to introduce the appropriate legislation at the national level.

EMU: Economic and Monetary Union. Legendary objective involving ultimately the adoption of a single European currency and establishment of a single central bank and monetary authority, once talked of as a possibility by 1980. This target has long been abandoned, but the *Commission* is attempting to stimulate faster progress towards EMU.

Enlargement: what happened when Britain, Ireland and Denmark joined the Community and will happen again if Greece, Spain and Portugal do the same.

Euratom: the European Atomic Energy Community.

ECSC: the European Coal and Steel Community.

European Commission: the supposedly supra-national body which prepares and submits policy proposals to the Council.

European Council: thrice yearly summit meetings of EEC prime ministers. France is represented by its head of state. Not to be confused with *Council of Ministers*.

European Parliament: sits in Strasbourg and Luxembourg. Little more than consultative body, but may become directly elected for the first time next year.

European union: mystical goal vaguely referred to in the preamble to the *Treaty of Rome*. Taken by some to imply the eventual creation of a united states of Europe and by others to mean not much more than an obligation to cooperate more closely.

Export restitution: euphemism for the large subsidies that have to be paid to EEC exporters to enable them to sell the Community's overpriced food surpluses at competitive prices on world markets.

Green currencies: artificial exchange rates designed to shield the EEC's common farm prices, fixed in units of account, from the fluctuations of the national currencies into which these prices are translated. The rates are

sustained by *monetary compensatory amounts*.

Harmonization: progressive introduction of EEC-wide norms and standards designed to remove non-tariff barriers to trade. Standardizing urge led to misguided attempts to promote such absurdities as Euro-bread, Euro-beer and Euro-ice cream, now abandoned.

Intervention price: the market price at which the EEC buys up farm produce, such as beef and butter, and puts it into storage to prevent prices falling further. Central feature of the *CAF*, though not as sacrosanct as formerly, and enables the EEC to offer farmers guaranteed prices.

Luxembourg compromise: the agreement of the Six of January, 1965, which effectively gave every EEC member state the right to veto a proposal deemed to threaten a vital national interest. Insisted on by France as the price of returning to Council meetings which it had boycotted for much of the previous year.

Mandate: terms of the brief given by the Council to the *Commission* for negotiating trade agreements on behalf of the Nine.

MCA: abbreviation of *monetary compensatory amount*, the terms used to describe the taxes and subsidies on farm trade used to maintain the *green currencies*.

Mountains: stockpiles of surplus beef, butter and so on created by *intervention*.

Nine: present members of the EEC.

Own resources: source of revenue of the EEC budget, consisting of common duties on industrial imports, *variable levies* on farm imports and the receipts from value added tax levied at a rate of up to 1 per cent on a common list of goods and services.

Political cooperation: coordination of foreign policy by the Nine outside the framework of the *Treaty of Rome*.

President: title enjoyed for six months by each member state in turn. The country holding the presidency chairs meetings of the Council. Not to be confused with the presidency of the *Commission* currently occupied by Mr Roy Jenkins.

Qualified majority: system of weighted voting used in the Council designed to make it impossible for one big country on its own to block a proposal or for the smaller countries acting together to be outvoted. Seldom used in practice because of indiscriminate resort to *Luxembourg compromise*.

Regulation: proposal from the *Commission* which is approved by the Council immediately becomes law in all member states.

Reserve: euphemism for often serious objections which a member state may have to a given proposal which it nevertheless accepts in principle.

Schloss Gynnich: German chateau which has given its name to the twice yearly informal and supposedly secret meetings of EEC foreign ministers first held there.

Six: EEC before Britain, Denmark and Ireland joined.

Transition: five years allowed Britain, Ireland and Denmark after entry to adapt to the requirements of EEC membership. This period runs out at the end of this year.

Units of account: embryonic European currency used as a device for calculating the EEC budget, fixing farm prices and in certain transactions with non-Community countries. The value of the *unit* of account in national currencies depends on the purpose for which it is being used.

Variable levy: euphemism for import controls. Special taxes, which can be varied according to market conditions, exacted on imports of farm produce into the Community to prevent them undercutting generally more expensive Community produce. In some cases the levies are so steep as to amount to an import ban.

Michael Hornsby

J Jacques Ferry

Steel: crisis hour

French employers are traditionally inimical to dirigisme, whether national or international. Despite this M. J. Jacques Ferry, Chairman of the *Chambre Syndicale de la Sidérurgie* (French steel-producers' association), has accepted state aid for several years in his efforts to tackle the industry's serious problems.

In the early 1970s, for instance, the massive investment programme considered necessary to meet competition from abroad was made possible by substantial loans from the Government. And, more recently, the plan to solve the French steel industry's crisis by reducing the labour force by 16,000 between May 1977 and May 1979 came into being as a result of negotiations with senior government officials.

Vice-chairman of the CNPF (the French employers' organization) and chairman of its influential economic committee which deals with international relations as well as economic policy, M. Ferry wears his 64 years lightly after a lifetime packed with economic, political and human experience. This may well be the strength which enables him to counterbalance the weaknesses inherent in his position at the head of an industrial sideration which is chronically sick, permanently dependent on the state and threatened with nationalization by the parties of the left.

But does he not also have the irony of fortune on his side? We are now

seeing a repetition throughout Europe of the type of situation he experienced in France a number of years ago. The European steel industry, under attack from all sides, is going through a crisis. On its own markets, which are the only major industrial markets to remain open to all onslaughts from abroad, the battle is raging, while abroad, particularly in the United States, the competition is protecting itself securely against intruders. Even the German steelmakers, traditional supporters of complete free trade, are beginning to come round to the line taken by those in favour of coordinated action by the industry as a whole and negotiation of international agreements to lay down standards for relations between competitors.

Since the beginning of this year M. Jacques Ferry has been chairman of Eurofer, the association of the principal steel producers in the nine countries of the EEC, and in this capacity he has been in constant touch with *Vicomte Etienne Davignon*, the member of the European Commission responsible for industrial affairs, so that he now commands attention among the industry and among the administrative authorities.

In pressing for the opening of negotiations between the European Commission and the American Government to put an end to the unfair competition and hypocritical protectionism which are on the increase,

M. Ferry originally set various initiatives in motion, but eventually *Viscount Davignon* declared that he was in favour of negotiations of this type "on condition that they were sufficiently broad-based to lead to proposals which would entail some commitment on the part of the Japanese steel industry as well. This seems to be leading up to something akin to the proposals (universally rejected at the time) for a world conference on the steel industry which M. Ferry made more than two years ago in the belief that it was the only way of avoiding a major crisis.

Come what may, market organization is developing on a world-wide scale, while dirigisme is taking a hold on the domestic front. The choice has to be made between the lesser of two evils and, surely, crisis leading to successive bankruptcies or massive redundancies both in Europe on the one hand and in the United States and Japan on the other is the greater evil. The question which now arises is whether what we are seeing in the steel industry—a new development as far as Europe is concerned—does not foreshadow future developments in other sectors of the economy. Does it mean that, in order to reach agreement among themselves and with the authorities, Europeans have to be at the end of their tether?

Jacqueline Grapin

Piaggio

Revolution on two wheels

Piaggio, the Ligurian firm that produces mopeds and the Vespa scooter, was founded in 1884 and originally manufactured products for the shipbuilding industry. Subsequently it extended its activities to manufacturing railway carriages, and finally entered aeronautics—in 1915.

Immediately after the last war Piaggio, like many other Italian firms, was faced with the problem of converting its plant back to production for normal civilian commercial needs. Thus, from an original idea promoted by *Enrico Piaggio* and developed by a team of designers under *Corradino d'Ascanio*, the Vespa was born.

This revolutionary two-wheeler was the fruit of technological experience far removed from the final product, a vehicle with a stamp entirely its own. The main requirements were to be able to get about on two wheels without getting dirty, to be able to mount and dismount without fuss, to have an easily replaceable spare wheel and to keep running costs, both of fuel and maintenance, very low.

With its previous experience in the aeronautical industry, the team was able to produce an original design to meet these requirements, with a load-bearing body structure, direct transmission from the engine to the rear wheel, interchangeable wheels, a front suspension of the type used on aircraft undercarriages and, throughout, the use of light alloys to keep weight down.

The Vespa's success, which is continuing after 30 years in production—six million Vespas have been sold all over the world—has been accompanied by various myths, such as that it uses aircraft undercarriage wheels or aircraft starter motors. The truth is that it is a newly-designed product through and through.

Since February Piaggio—a company with a turnover of 200,000m lire in 1976, and a forecast turnover of 250,000m lire for this year—has had as its managing director and vice-chairman (the chairman is *Signor Umberto Agnelli*) *Signor Giovanni Squazzini*, born 54 years ago in Novara and a graduate of *Turlo Polytechnic* in 1946, who came to Piaggio from Lancia, where he had been managing director for three years. We asked *Signor Squazzini* a few questions.

What are the prospects in Italy, and in Europe as a whole, for the two-wheeler market?

In 1976 total Italian production of motor-powered two-wheelers—excluding, therefore, bicycles—was over a million machines, an increase of approximately 21 per cent over 1975. Of these, 770,000 were mopeds. Over the same period Piaggio's share of total production was 500,000 machines. In the first six months of 1977 there was an increase of 24 per cent in total production. Piaggio's own output grew correspondingly, and we reckon to produce about 550,000 machines of various engine capacities (from 48cc

to 200cc) this year.

Hourly half of Piaggio's production is taken up by the home market, and the remainder is exported. Where exports are concerned, I might just mention that the total amounted to 340,000 machines, of which 244,000 were made by Piaggio.

With regard to the immediate future, both mopeds and scooters can look forward to a period of growth although, in the case of mopeds, competition in the export market is becoming increasingly fierce from the French, Germans and Japanese.

There may be a substantial increase in our exports to the United States, where President Carter's energy policy presents interesting growth prospects for low consumption two-wheelers, especially mopeds.

Piaggio's profit and loss account shows your firm's solid and substance. What do you think of Italian publicly owned industry, about which the same cannot be said?

My main concern is to ensure that Piaggio continues to be a solid, dynamic, efficient company, just as I found it. As far as the publicly-owned sector is concerned, I hope it may soon shake itself free from the difficulties with which it is at present bedevilled, since this is in the interests of the entire Italian economy, which will benefit accordingly. What every firm must preserve is the competitiveness of its products compared with those of its international competitors. This is the only yardstick.

How are relations with the trade unions in your firm?

We have established a policy of continuing dialogue with the workers' organizations, so as to obtain agreement where company policy is concerned. Adjustment and updating to meet the indispensable needs of technology must, at the same time, bring positive answers to social needs. The last union dispute over the renewal of the labour agreement was settled, after searching discussions, to the satisfaction of both sides.

Has the oil crisis helped the two-wheeler market?

The high cost of oil undoubtedly favours the use of low-consumption vehicles, especially for short journeys and in towns. But in spite of that, the present economic crisis and prevailing inflation are not favourable factors, not even for the two-wheeler sector, since the reduced purchasing power of the individual can affect our market.

And now about yourself. You come from Lancia, the car firm you revived successfully. What do you think of your move from the four-wheeler to the two-wheeler sphere?

Cars were my first love, which turned into a marriage that lasted almost 30 years. Obviously, one never forgets one's first love, but it is also true to say that we are not divorced, since I am still managing director of Ferrari, which is the most symbolic and exciting of all the four-wheelers.

I have discovered the world of the two-wheeler day by day, from the time I joined Piaggio. It is an extremely interesting world since it is youth-oriented, and I find young people competent and determined in the choices they make. That is why you have to offer them products which measure up to their expectations—youth allows no mistakes.

As far as technology, market research and the means of production are concerned, it is no different from producing four-wheelers. There is one advantage: being in contact with young people keeps you a bit younger. And that is quite a lot.

Renzo Villare

Agriculture: embarrassment of riches

The negotiations on farm prices about to start for the year ahead traditionally mark the zenith of the European agricultural timetable, providing an opportunity to reappraise the health of the Common Agricultural Policy and to consider any adjustments.

The main feature of the dim situation confronting the Nine is overproduction. A new development, which is disturbing for countries like France, The Netherlands and Italy which 20 years ago harked on the agricultural common market of a "green Europe" in which the influence of specialization would decline and each member state would become or aspire to become self-sufficient, is that there is now a permanent surplus in a number of key products—sugar, beef, wine.

Stocks continue to rise and the cost of absorbing them is placing an increasing burden on Community finances year by year; expenditure on price maintenance by the European Agricultural Guidance and Guarantee Funds (EAGGF) since 1973, the year when Britain, Denmark and the Republic of Ireland joined the EEC, has risen as follows: 3,500m units of account in 1973, 4,100m in 1974, 4,700m in 1975, 5,500m in 1976, 7,100m in 1977 and an estimated 8,300m in 1978.

What is the explanation? In addition to the well-known factors (prices pitched too high originally, gaps in the arrangements for protection of EEC members by allowing excessive imports of vegetable proteins), two more recent phenomena have contributed to the deterioration of the situation.

The first of these has been the crisis. The Common Agricultural Policy was based on the assumption of economic expansion and prosperity which, the eager lawgivers of the 1960s believed, would be sufficient to eliminate the inherent imperfections of an operation (integration of old Europe's farming industries) which was both novel and revolutionary. Today, agricultural modernization is being held back by the difficulties experienced by farmers wishing to switch to other occupations.

The stagnation in purchasing power is having an adverse effect on consumption. Governments under pressure from all sides to revitalize their flagging economies, are naturally paying more attention to the rise in EAGGF expenditure.

The second new factor is monetary disruption. The problem is well known: aggravated by political expediency member states have

generally chosen to cushion farm prices against fluctuations in their exchange rates.

European agriculture is functioning under an artificial exchange rate system whose commercial effects are corrected or supposedly corrected by the application of compensatory monetary levies. As a result agricultural production and expansion in the countries with strong currencies—led by West Germany—enjoy an abnormal advantage and this has undoubtedly done much to impede the normal development of farming in the Mediterranean. The European Commission reiterates that a policy resulting in surpluses must be rejected, but has yet to put forward firm proposals in pursuance of this profession of faith.

Apart from its efforts to secure the gradual elimination of compensatory amounts and thereby a return to unity of farm prices, it has been content with timid exploration of two courses, the first aimed at enlisting the aid of producers in its endeavours to reduce the surpluses. This is the "joint responsibility levy", the 1.5 per cent tax on milk.

This exercise already seems doomed to failure. No one in Brussels believes that it will lead to a reduction in output—small dairy farmers are not being discouraged, but merely messed about—is the comment of one expert—and there is scepticism about the effectiveness of the new expenditure on increasing outlets which is being funded with the proceeds of the tax.

Encouraging consumption by reducing prices is the aim of the proposal put forward by Mr Finn Olav Gundelach, the Danish commissioner respon-

sible for agricultural affairs, in the hope of reforming the support system applicable to beef and veal. The effect of this proposal would be a reduction in the intervention price, but it has little chance of being adopted by the Nine.

Apart from these modest attempts, there is no coherent scheme for improving the Common Agricultural Policy. In the harsh judgment of one senior European civil servant: "To judge from what one hears from Mr Gundelach, all one can look forward to is the fundamental and disastrous idea of imposing a reduction in the guarantee on basic products, a typically liberal solution promising disaster in a Community where farmers still amount to 10 per cent of the working population in many regions."

The truth is that now, just as in the past and perhaps more so as a result of the present crisis, there is no alternative to the Common Agricultural Policy other than the destruction of the Community. With a commission so lacking in imagination, initiative and policies, this is the only reason for remaining relatively optimistic and believing that once again the catastrophe so often predicted will not take place.

Philippe Lemaitre

Energy: opportunity for accord lost

Both the national oil companies and the political authorities have been making efforts over recent months towards the establishment of a European Community energy policy. Is this a realistic objective when some member countries (Britain, The Netherlands, West Germany, Belgium) have abundant supplies of hydrocarbons or coal and others have none?

The refining crisis which is affecting the whole of Europe could have brought the EEC countries closer together, but the most recent meeting of the energy ministers of the Nine demonstrates that this is far from being the case.

Up to 1973 the oil companies had invested substantially to serve a market which was expanding steadily, but the fall in consumption after the increase in oil prices and the difficulties of the world economy resulted in a surplus of some 35 per cent in refining capacity within the Community.

This development would probably not have been too much for the less powerful companies had it not been coupled with a big distortion of competition between the European oil producing companies (with another source of income) and the others. In an article published in August 1977, *Herr Jurgensen*, a Hamburg professor of political economy, pointed out: "Since 1974, companies controlling almost half of the refining capacity in West Germany have been allowed to offset nearly DM 2,000m (roughly £500m) a year whereas the other operators have no other recourse than the choice between an actual loss and a distortion of profits to the detriment of expanding sectors."

As West German tax law allows consolidation of profits on production and losses on refining, prices fell with the result that companies were obliged to sell at a loss. And the contagion of German prices has spread to most of Europe. In time this could lead to a decline in exploration by European

companies, which would in turn increase Europe's dependence on the outside world for supplies of crude.

If the national companies—VEBA in West Germany, Petrofina in Belgium, ENI in Italy and CFP and Elf-Aquitaine in France—were the first to react, this is because they were deeply affected by the collapse in prices. One only needs to consider their debt ratio (ratio of long-term debts to capital) at the end of 1976 to be convinced: SNEA and VEBA 42 per cent, CFP 46 per cent, Petrofina 54 per cent and ENI 59 per cent whereas Mobil has the highest debt ratio among the important companies at 24 per cent, followed by BP and Shell at 23 per cent, Texaco at 19 per cent, Socal at 17 per cent, Exxon at 14 per cent and Gulf Oil at 13 per cent.

The five European companies, which had already sent a memorandum to the EEC Commission on July 23, 1976, reiterated their proposals for the limitation of refining capacities, aid to exploration and publication of a scale

of prices at the beginning of November 1977. This year France, The Netherlands and Italy have also submitted memoranda to the Community, but whereas the Italians are calling for the establishment of an oil community along the lines of the ECSC (European Coal and Steel Community), the Dutch are only thinking in terms of consultations over the creation of any new refining capacity and are against any reduction in existing capacities.

A proposal published by the EEC last March, on the other hand, called for the closure over the next few years of surplus plant with total capacity of 145,000 tons. Thus the disparities between individual countries' energy resources are compounded by differences in political philosophy and national vested interests. West Germany and The Netherlands, in the name of their liberal policies, are hostile to publication of a scale of prices and support the proposals for the monitoring of transactions on the Rotterdam market, which the "five"

consider unhelpful.

On October 25 in Luxembourg Britain once again invoked its regional policy to reject all constraints on its plans for industrial development. The West Germans are as opposed to the introduction of minimum prices proposed by France as the French are to the voluntary quotas which Bonn might be prepared to accept. The only common ground among the Nine is on the subject of imports of refined products.

In the face of this lack of agreement pressure is mounting for the formulation of national policies, especially in France and Italy. The French Government is helping *Compagnie Française des Pétroles* and *Elf-Aquitaine* by increasing the hydrocarbon support fund (at present 245m francs). This would be a device for compensating losses in refining under the guise of providing funds for exploration. But Europe will have wasted a good opportunity for concerted action.

Bruno Dethomas

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A look at how the next generation will cope In the steps of their fathers

What hope is there for Europe in the hands of the next generation? This was the central point in a survey carried out by Deutsche Shell to mark its seventy-fifth anniversary. Shell carried out the work together with the Emnid Institute for Market Research and Opinion Polls, with the Ifop-Etmar Institute in France, and with Social Survey (Gallup Poll) in the United Kingdom, and has now published the results. In the course of the extensive survey by the three groups, the researchers came up with results that agreed to an unusual degree. It is possible to argue from their conclusions that European values have permeated Europe's youth thoroughly.



All the young respondents attached great importance to getting on at work: in the United Kingdom 95 per cent of respondents in the age-group 12 to 23 (half male, half female) felt this was important, in France 86 per cent and in West Germany 80 per cent. Public spiritedness was approved by 87 per cent of West Germans, 81 per cent of French and 78 per cent of United Kingdom youth. Thrift was regarded as a good quality by 81 per cent of the British youth, 80 per cent of West German youth and 74 per cent of French.

The greatest difference was in the question of how young people saw property: only 62 per cent of the French respondents thought it was a good thing, while 81 per cent of United Kingdom and 84 per cent of West German youth approved of it. This marks a radical change in the West German attitude since 1960, when only 44 per cent of those asked thought that property was absolutely necessary, and 21 per cent actually rejected it.

One particularly interesting question probed socio-psychological aspects of European youthful personalities: "Imagine that you have done something wrong, you have been short with someone who has been good to you—what would you do?" Seventy per cent of respondents in West Germany and 76 per cent in the United Kingdom said they would apologise, 17 and 16 per cent respectively said they would try to make it up by some action. French youths reacted in an entirely different way: regard for one's fellow men is particularly important and widespread there. Ninety per cent would apologise, and as many as 46 per cent would try to make up for the slight.

How often do young people in Europe read a book? The question asked was, "Who has read at least one book in the past fortnight?" The answer: 71 per cent in France, 68 per

cent in the United Kingdom and 59 per cent in West Germany. Further analysis of the replies produced some interesting sidelights, for instance that the frequency of reading books is related to the level of education in West Germany, while in France people at all educational levels read books; young people there with less education read twice as much as those in West Germany.

How strongly developed is their interest in politics? It seems comparatively highly developed in France, only moderate in West Germany and weak in the United Kingdom. Of the West German sample 57 per cent discussed politics at home, another 45 per cent of them discussed politics with their friends, one in four read the political comment in the newspapers, and 13 per cent attended meetings.

In France, politics has no place in the home; 24 per cent of young people discussed politics in clubs, 17 per cent attended lectures, 16 per cent talked about politics with their friends, and 13 per cent belonged to discussion groups.

The European institutions and their work do not appear to strike a chord among the continent's young people: when asked if they followed the debates in the Parliament at Strasbourg or read about the conferences at Brussels, only 11 per cent of West Germans said that they did, 11 per cent of United Kingdom youths were interested, but 21 per cent of young people in France took an interest. Naturally, the degree of interest increased with age, but the European events in the Parliament and Commission were dismissed as "uninteresting" by 80 per cent of West Germans between 22 and 23, 79 per cent of United Kingdom respondents in this age group and only 48 per cent of French respondents of this age.

The increase in knowledge of a foreign language is an important positive factor in increasing contact between present generations, and hence in advancing the cause of European unity. Of the 53 per cent of West Germans, 68 per cent of United Kingdom youth and 55 per cent of French who do not speak a foreign language, were asked "Would you learn a foreign language if it was free?" On this condition 50 per cent of West German youth would learn English and 19 per cent would learn French; 63 per cent of the French would learn English and 15 per cent would learn German; and 37 per cent of the United Kingdom youth would learn French and 23 per cent German.

At comparable educational levels only half speak English and 12 per cent speak German. The United Kingdom is strongly affected by its traditions of getting by without foreign languages: the best results are to be found among the upper middle educational stratum, where 12 per cent speak German and 39 per cent French; the top educational level makes a rather poorer showing.

And what does European youth feel about its prospects at work? Is hard work the only important factor, or does success depend to a great extent on the wealth of one's father? Or do you need luck as well? In France the youth from the families with the lowest incomes and little education are convinced that a young person's succession a profession is better; the higher the social standing of his father. Those respondents in France in the upper social groups were certain that everyone started from the same point in employment, irrespective of the father's social position and income. The researchers posed the question whether those with a higher education knew more about the real conditions than the others.

In the United Kingdom, where there is a different democratic tradition, there is a rapid falling-off in the belief in the significance of equal opportunity in the occupations with age and education. Already at 17, the idea has begun to gain ground that the position and income of one's father can be decisive. The same trend is apparent in West Germany, where the older and better educated share the opinion that the father's status is

critical for one's start in an occupation.

The pollsters were surprised to learn that in the United Kingdom, where there is the highest proportion of unemployed among young people, all age groups share the belief that their prospects of employment are very fair. Only 9 per cent of United Kingdom respondents felt their prospects were poor or very poor. Corresponding figures in West Germany were 12 per cent and in France 23 per cent. In these countries, pessimism increased with age of the respondent.

A frightening conclusion for sociologists is the decline in interest in further education among young Europeans. Eighty-seven per cent of young West Germans, 85 per cent of young people in Britain, and 81 per cent in France were not interested in courses in adult education, further vocational training, apprenticeships or external university degrees.

How mobile is Europe's youth? The answer is, very. Some 54 per cent of United Kingdom respondents were ready to work for a considerable part of their working life in another EEC country, 49 per cent of French, but only 39 per cent of West German youths were willing to leave their homeland for any time. The willingness of West German youths to work in England fell with age, but their readiness to go to France remained constant for all age-groups at 20 per cent. Other EEC countries were scarcely considered at all by young West Germans.

Increasing numbers and proportions of young people were interested in working in West Germany, but significant numbers were willing to consider Italy and the Benelux countries as well. Of young Frenchmen and women 24 per cent were prepared to work for a while in Britain, 18 per cent were interested in working in West Germany, and 11 per cent each in Italy and the Benelux countries respectively. The same trend was visible throughout: the higher the level of education among respondents, the more mobile they were.

The pollsters interpret the limited extent of nationalist pride among European youth as "acceptance of further European extension". Only 16 per cent of West German youths said they were proud to be German, 44 per cent said they did not have strong feelings either way; 26 per cent of young respondents in the United Kingdom replied that they were very proud to be British, and 26 per cent were indifferent. Astonishingly, only 10 per cent of young French people were "very proud", and 52 per cent were indifferent about their nationality. In all the countries, however, this indifference towards nationality was strongest in the upper social groups: the figures were 63 per cent in France, 60 per cent in West Germany and 80 per cent in the United Kingdom.

The conclusions are obvious: Europe's chances for future unity increase with increasing education and standard of living among the inhabitants of the continent.

Hans Baumann

Personnel managers become indispensable

'Firemen' climb the company ladder

In the industrialized nations the organization of the firm has developed on similar lines to their economies. European academics and practitioners have been gathering at a conference of the Deutsche Gesellschaft für Personalführung (German Society for Personnel Management) to discuss "the current state of development in personnel management in enterprises in European countries". The last conference on that theme was in Stockholm in 1966.

How have scientific and political changes in this decade affected personnel management? Has the status of the personnel department in the firm changed relative to other departments? Where does personnel management fit into the firm? Have the tasks of the personnel department changed? These were the central points under discussion.

M Jean Enderlin, of the Association Nationale des Directeurs et Chefs du Personnel, Paris, outlined developments in personnel management in France since the end of the last war. The personnel manager began as the "fireman" or "welfare worker". This early stage was marked by "early struggle by France to build up her economy, and the general withdrawal from the French colonies". M Enderlin said that "a firm's first task was to produce and be economically viable. The personnel manager's tasks were essentially subservient to these goals."

The disturbances in May 1968 changed those tasks. More and more qualified people were sought who could defuse social tensions skilfully and incisively. The manager of personnel was "increasingly established in company management". The economic boom that was taking place at this time, with the accompanying need to find markets led to the replacement of traditional assessments by scientific approaches: the worker's suitability for his job became a method of rating.

The latest phase began with the oil crisis of 1973-74: "the economic crisis, unemployment and the worker's desire for a steadily-increasing standard of living, these have all made the company a focal point and centre for the tensions of life". Where the personnel manager had been the "executive" during the second phase, M Enderlin now sees him to a great extent as an "adviser and mediator". In addition to his previous tasks, the personnel manager must now act "as an adviser to top management, to be a mediator in tense situations, and adapt the company's social strategy to its other key policies", according to M Enderlin. "And this state of affairs is being made worse by state interference, social legislation and other policies."

In West Germany, too, the status of personnel management has risen. "Companies today see personnel problems as being as important as finance or production decisions", Herr Hans Friedrich of the German Society for Personnel Management, Düsseldorf, says. An important influence has been the increase in labour legislation, legislation on company structure and social policy, which has been the spur for this development.

This resort to legislation to help improve labour relations is typical only for West Germany; in other European countries such matters are dealt with by negotiations between the parties concerned. As early as 1951 West Germany had its first law to introduce equal representation on the advisory board in the coal, iron and steel industries. Other legislation at this time put worker directors into top management in public and limited companies. In 1976 non-equal representation was introduced for firms with more than two thousand employees.

As a result of all this there are 200 personnel managers sitting on boards. Herr Friedrich believes that

this figure will be more than doubled in the next few years. The other 3,000 personnel managers are directly below board level in their companies.

Together with the rise in status, the level of qualifications has also risen among personnel managers. Three quarters of managers and more than three fifths of personnel staff at managerial level have university degrees. At the middle and lower levels there are two schemes leading to the qualifications Personalwirt and Personalfachkaufmann.

"The involvement of personnel in the economic and social problems faced by firms is going to increase further", Herr Friedrich predicts in his review of future developments. The status of personnel departments will go up in West Germany, and there will be a corresponding increase in the use of scientific results and methods in commercial personnel administration.

This advance of personnel management into the boardroom has begun to show in Italy recently, particularly among the bigger companies. A decisive factor there is not just the recognition by top management of the importance of personnel selection, but also the question of relations with unions. There is no worker representation on company boards in Italy. In practice, union influence on employment and investment planning is no less pervasive there than in those countries where codetermination is formally required. The main channel for this influence in Italy is the annual wage negotiations which supplement the general wage agreements, usually three-year agreements, and make adjustments for local circumstances. Frequently in those negotiations the decisive element is company policies in personnel matters; for that reason alone, the company representatives in the discussions have to be either directors themselves, or close to board status. So far, naturally enough, only the bigger firms have drawn the logical conclusions, and those firms lay great emphasis on personnel questions. This trend towards upgrading the status of the personnel manager is becoming evident in middle-size firms as well, and that is reflected in the extent to which

his salary is catching up with top management.

Staff welfare has a long history in Britain. In 1913 the Institute of Industrial Welfare Work was founded, which shifted the emphasis from welfare work to personnel. In 1946 it was incorporated in its present name, the Institute of Personnel Management. Mr Bernard Dixon, of the Institute, told how the personnel department in the 1950s was responsible for employing, looking after wages and salaries, training and negotiations with unions. During the next decade conditions changed even more quickly for personnel managers. New attitudes and methods were needed.

Mr Dixon says: "The influence of government became increasingly important, the difference between workers and staff disappeared with 'staff status' and interchangeability of jobs became more natural."

The trade unions' role also changed as the service industries expanded faster. In many industrial national wage negotiations were held at national level. Over the past 10 years, human relationships have become increasingly important. Mr Dixon noted that Britain is also showing the trend towards the personnel director, with his place at the top of the company hierarchy. That and other international effects—such as the rise in unemployment—are influencing the workings of the personnel department. According to Mr Dixon, "unemployment means that wages cannot be decided by market mechanisms anymore."

The unions have also been increasing their power, and have begun to penetrate the "white collar" sector. The institute has grown along with the rise in importance of personnel, and this is not only shown in the increase in membership, which has grown from only 3,000 in 1950 to 18,500 now. Mr Dixon cites two particular instances, "the institute has developed its own training scheme which more and more personnel staff are taking up, and the Government is consulting the institute on increasingly important questions relating to personnel management."

Erwin Schneider

On the contrary

Alimentary, my dear Watson

"My dear fellow", said Sherlock Holmes, as we sat on either side of the fire in his lodgings at Baker Street, "we face a most intriguing series of mysteries."

"What are they, Holmes?"

"Alimentary, my dear Watson. There is the mystery of the mayonnaise from nowhere—surplus butter with a herbal flavouring. There is the Russian butter enigma or, to be more precise, that of the European butter sold cheaply to Russia but reappearing in Italy. You are familiar, of course, with the great butter mountain scandal, and the unfathomable wine lake. But have you heard of the phantom grain ship?"

"Phantom?"

"A figurative expression. It plied between Rotterdam and Antwerp, collecting export subsidies on every trip."

"Have the miscreants been apprehended?"

"I fear not. The real culprit is still at large."

"Professor Moriarty?"

"No, Watson: the complexity of our farm regulations. And I fear that they will worsen."

Just then, Mrs Hudson entered. "Three gentlemen to see you, sir."

"From Greece, Portugal and Spain, I wager. As I said, Watson, our problems become more baffling every day."

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هكذا من الاصل

BY THE FINANCIAL EDITOR

What is the NEB's philosophy?

Investigations have already shown horror at the National Enterprise Board's successful bidding of Trafalgar House to get control of Fairley's British assets. It is the NEB's first full-blown bid against a rival bidder in the private sector, and the vision of NEB mobilizing its millions of taxpayers' money to take out a business already presented with an alternative solution is calculated to stimulate outrage in the private sector.

In fact this deal is not such a novelty. The NEB has already been involved in a bid to take over Guinness over White Child & Co. although admittedly it did not make the bid. It has always been its philosophy to invest in profitable concerns less well as the lame ducks dropped in its lap by the Government. The exit price earnings in just under 9 is by no means negligible and the margin by which it has

being highly dependent on South Africa and up against increasingly stiff competition from much larger companies in Europe, can—on these figures—both survive and grow.

This poses a problem for Johnson & Firth Brown whose 20 per cent holding must be burning a hole in its pocket having seen one bid, which would have given a handsome profit, pass out of the window. But Osborne shareholders may still need to be convinced that this level of profits is sustainable; the improvement, coming in such a short time, is quite remarkable. At 75p up 2p, the shares yield only 5.2 per cent, which even on this performance, still provides scope for speculative possibilities.

The Bank of England may have it within its power, for a short period at least, to influence domestic interest rates, but the Eurosterling market, a highly sensitive indicator of what foreigners holding sterling think of developments in the United Kingdom, is another matter. During the past few days the market has been showing in no uncertain fashion how dubious it is about the Bank's interest rate tactics, and yesterday's rise was obliged to raise the coupon on its sterling Eurobond issue from 10 to 10 1/2 per cent and it looked very much as though Citicorps might have to do something similar with its 9 1/2 per cent issue.

It is an inauspicious start for a market that has been full of promise during the past few weeks for both issuers and investors. Selling was developing last Wednesday and Friday, was particularly hard hit, reaching 96 1/2 last night compared to an issue of 99 1/2 where it yielded 10 1/2 per cent.

The first point to note is that investors evidently believe that, in spite of the Bank's restraining action, interest rates here are headed upwards. The second, and potentially more important point is that the rigidity of the set-back and the evident willingness of investors to get out at the first sign of trouble, raises real question marks over the underlying strength of investment demand for sterling Eurobond issues.

Harrisons & Crosfield A challenge in plantations

Having already beaten off one attack this year on part of its empire—then it was Golden Hope which was under attack—Harrisons & Crosfield is now facing another threat. This time it is by way of a bid for Malaya Plantations from McLeod Russell.

McLeod, which already owns or has options on 23p a share, valuing the entire company at £6.25m, with H & C and associates controlling 23.64 per cent and Malaya Plantations (whose chairman, Mr Frederick Harper, is on the H & C board) rejecting the bid, the City scented an eventually increased offer and the shares rose 2p to 24 1/2p.

Malaya Plantations' situation is complicated as it prepares for industrialization since it is a hybrid company spanning both tea and rubber plantations.

In the absence of a defence document, Malaya Plantations shareholders are going to have a difficult task of trying to assess the bid since the remittance of dividends from India is irregular in both size and timing, while the valuation of assets is not easy.

Malaya Plantations is important to H & C since it controls some 2.8 per cent of Harrisons' Malaysian Estates. Two other companies held on similar minority holdings—London and Sumatra and Harcos—bring the holding up to around 10 per cent. If all three companies were taken out of the H & C camp it would make an awkward dent in H & C's control of HME which has still yet to reach full agreement with the Malaysian authorities on changing documents.

During four months of abortive talks that followed McLeod's acquisition of the Malaya Plantations stake, the possibility of selling the HME stake back to H & C was raised although McLeod appears to have been holding out for a higher value than the then stock market value. However, that did not get very far since H & C was unwilling to see Malaya Plantations out of its grasp in the first place.

The bid does appear to have exposed a damaging gap in the minority cross holdings in the H & C empire.

NEB's other investments

Companies	% held	cost £'000
Recording	57.4	3,137
Radio	50.0	—
Inter	100.0	26,186
Clear Radio	73.3	650
Textile	100.0	1,200
Textile Products	50.0	500
Bridge Instruments	48.3	1,710
Computer Analysts and Programmers	29.9	549
at	24.4	12,023
at	20.0	87
at	100.0	400
at	26.0	504
at	33.3	997
at	17.6	1,880
at	100.0	546

(Investments excluding British Land and Rolls-Royce)

bid Trafalgar is not excessive, and extra profits of £4.8m from companies acquired for £20.5m comply with the 15-20 per cent return on capital criterion just outlined for the NEB by Mr Varley, the Deputy Secretary.

But the bid does raise again the more fundamental question of whether the NEB's a cogent investment philosophy or whether its spending is wholly piecemeal, is not clear what "industrial logic" lies behind this latest addition to the NEB's portfolio, a point which is bound to lend weight to those who argue that its main objective at the moment is simply to commit money as quickly as it can so that its scrambling by an unsympathetic Conservative government at some future date is not that much more difficult.

The other, more practical question is whether it is possible for any investing institution to make significant new equity investments successfully at the pace of the NEB. So far it seems to be going well, except, of course, its lame ducks) but there has been the speed of investment that are bound to be doubts about how unappreciated the NEB can monitor its string commitments, let alone get involved new ones.

Osborn Why Weir went away

It is easy to see from Samuel Osborn's full results why the group failed to reach agreement on terms for a take-over from the Weir Group. Osborn was expected to make out £2.4m profit, but the actual instead the published return is £3.4m, and if the calculations were almost certainly on the lower figure.

Clearly all the Osborn gain has come from steel activities, which, by rights, and in comparison with every other steel company, had been having to pull all the 15 out even to stand still. In the eventing profits have risen from £273,000 to £3m, so that the profits in the second-half were more than £1m.

The explanation apparently is that the steel plant, which the group moved some five years ago, has at last paid in terms of productivity, with higher unit, and lower unit costs bringing big gains.

Thus a company which looked hard pressed to survive as an independent unit

Blurred vision on union recognition

Eric Wigham

Sections of the Employment Protection Act on which the TUC probably placed greatest store, those dealing with trade union claims for recognition, have resulted in such a tangle of law suits and so much fruitless argument between the Confederation of British Industry and union leaders that there is talk about the desirability of repealing them altogether.

The latest writ, issued by a non-TUC union, the United Kingdom Association of Professional Engineers (UKAPE), questioning a decision by Acas not to recommend recognition by an engineering company, although there was strong support for it among the workers. Of the other five writs one affecting the Legal and General Assurance Society was followed by court action which has been lost. The other actions are still pending.

Besides these there was a threat of legal action by the Engineers and Managers Association.

... a tangle of law suits and so much fruitless argument that there is talk about the desirability of repealing those sections of the Act altogether

The TUC is concerned because in some respects the clauses threaten to override its own procedure for settling disputes between unions, the so-called Bridlington procedure. The CBI complains that the Act is being interpreted by the Advisory Conciliation and Arbitration Service (ACAS) as leading to union fragmentation and has resulted in loss of confidence among employers in the impartiality of the service. It is pressing for speedier criteria under which claims should be decided.

Both the TUC and the CBI have nominees on the council which runs Acas and its last few meetings have been devoted largely to arguments about recognition cases. Next week the council will meet again for a full discussion of the CBI demand for fixed criteria, though with little prospect of agreement. Meanwhile, at least one private member's Bill to amend the clauses will soon be presented to Parliament by a left-wing Labour member.

The seventh writ this year challenging the legality of recognition claim handling was served at the Acas office in Westminster last Friday. The Law Lords are meanwhile expected to give their verdict at last on the most publicised case, arising out of the Grunwick dispute, before Christmas.

Acas is obliged under the Act if a claim for recognition for the purpose of collective bargaining is made to try and cannot be settled by conciliation, to consult all the parties



involved and to find out the opinions of the workers affected before making a report. The Grunwick case arose because Acas could not, and therefore did not, consult all the workers.

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on settlements by conciliation rather than references to disputes committees and may on occasion take the initiative in bringing unions together where they have a history of disagreement.

The banks and commercial and white collar organizations in the engineering industry, are obviously fields which require his attention. His status will not doubt help him in his meetings with union leaders.

The CBI wants changes in sections 11 to 16 of the Employment Protection Act, which deal with recognition and the TUC may well decide that changes are needed either in the Act or in the Bridlington principles, or both. But neither is at present talking about abolishing those sections. It is the officials of Acas who wonder how long they can go on working in the middle of a legal minefield.

They are charged under the Act to promote the improvement of industrial relations and to encourage the extension of collective bargaining, but there are cases where the two objectives are mutually exclusive. When they refused to recommend the recognition of URAP, although the staff concerned wanted it, it was because they thought it would worsen industrial relations in the engineering industry.

On the other hand they have, sometimes recommended recognition for small groups of workers where the known support has seemed to employees to have been insufficient.

If eventually it is decided that sections 11 to 16 in their present form are doing more harm than good, the TUC will certainly demand the same principles be put in their place. It never intended them to be used to deal with inter-union disputes and that was why employers are not empowered to make use of them—without CBI grievance. But the TUC wants a legal means for unions to secure recognition where it is denied them.

The shadow of Sindona over Banco di Roma

The troubles at Banco di Roma are not a typical banking crisis, but represent the latest chapter in the unfolding saga of the Italian financial scandal since the war. There has been no sudden loss of confidence, no run on deposits, no fears of misappropriation of customers' funds.

In fact, the investigating magistrate is looking for signs that the management did too well for clients—or important ones—at least—by allowing those who had allegedly exported funds to be reimbursed on the eve of the Sindona collapse.

What led to the suspension of the two joint managing directors, Signor Mario Barone and Signor Giovanni Guidi, was their failure to produce to the Milan magistrate a list of more than 500 accounts with another Sindona bank, the former Finanzbank of Geneva. These accounts, it is maintained, belonged to customers of the Sindona banks in Milan, whose lire had been sent illegally to Finabank for conversion into foreign currency, they returned to Italy. These were not figured as foreign funds, the allegation goes, most were reimbursed shortly before the crash.

All this happened in late summer 1974. Banco di Roma's fourth biggest bank and the vast parasitical Istituto per la Ricostruzione Industriale (IRI), had by then taken control of Signor Michele Sindona's main Italian banking and property interests.

When public confidence in the United States was already faltering in Signor Sindona's Franklin Bank, Banco di Roma decided to support him for reasons which are not entirely clear, but which owe much to

Professor Ferdinando Venturi, then deputy chairman. Banco di Roma advanced Signor Sindona \$100m and a £3,500m lire (about £42m) against control of his two Milan banks Banca Privata Finanziaria and Banca Unione (merged in those last weeks before liquidation into Banca Privata Italiana) and ownership of his almost 40 per cent controlling shareholding in the international property company Società Generale Immobiliare.

For the magistrate, the list has been a will of the wisp. Everyone knows, about it, but no one has had it on his desk.

The obvious difficulties in the search have encouraged speculation that it may contain political dynamite. An extreme left-wing newspaper published names claimed to be on it, including prominent politicians and businessmen, a magistrate and a medical specialist.

The only hard evidence came from an admission in a press interview by Signor Mauro Leo, son of President Giovanni Leone, that the presidential family had had four personal bank accounts with the Rome branch of Banca Privata Finanziaria.

Whether the list is ever run to earth, the affair has proved damaging for Banco di Roma, which faces the task of restoring its image. It has been embarrassing to have to expect to have their passports withdrawn and be unable to travel abroad on the bank's business.

Signor Barone also had the unwelcome experience of spending 24 hours in jail for

alleged reticence before the magistrate.

The bank's immediate reaction was to extend the powers of the chairman, Signor Leopoldo Medugno, to strengthen the executive committee and only two days before it had issued a denial of any irregularities—to set up an internal inquiry.

Will these steps be enough? Even if they stop the immediate rot, the trouble is that the malaise is not limited to one bank—but is widespread throughout public sector economic and financial structures.

An encouraging sign, at least, is that efforts are being made to end the practice of treating top banking posts as something for backstage party political bargaining and that parliament will in future have to be consulted about them.

Nor has the Banco di Roma affair improved the image of

then of Texan interests associated with Mr John Connally, the United States politician and financier.

The latest rescue reports are linked with the name of Signor Carlo Pesenti, the Bergamo banker and cement industrialist, but their outcome is uncertain.

Then there is the question of whether Italian justice will ever bring Signor Sindona to trial, along with his former right hand man (with whom he has fallen out), Signor Carlo Bordoni, now living in a Venezuelan jail. Signor Sindona lives in an hotel in New York where he is fighting a two-year-old Italian request that he should be extradited on charges of fraudulent bankruptcy, arguing that he is the victim of political persecution.

John Earle

Business Diary: Novel villainy • Scrooge in Brussels?

...Dames. Business Diary's or, went to yesterday's third Literary Awards in London.

It is ironic that Edward Freese, the hero of Deryl Bond's much-praised novel, *Org Time*, should be an outcast.

Miss Bainbridge, who yesterday won the £1,500 Whitbread award for fiction, may not know some time whether she can do the money—us can a pools or—whether Sir William, chairman of the Board of Revenue, will take much from her.

Mr William—and I should thought a former undersecretary at the Department of Education and Science would know better—is having a success in stopping outcasts from getting away with hundreds of millions of pounds through artificial tax schemes for companies and for rich individuals, revenue men are, however, to recoup a little self, if far less cash, by being in the hunt for mainly productive people—able authors.

My brother, district surveyor Holden, Atticus of the *Tag Tones*, recently pointed out the inland Revenue are in a test case of a former bread-winner, Andrew. They want a cut of his prize for an appropriately biography of the founder of the *Financial Times*, Brenda Breckell.

Miss Bainbridge received her £1,500 award yesterday, as Sir William Macdonald, for her *hunk No End to Sunday* and Juliet Nicolson, herself of her father, Nigel, his biography, *Mary Curzon*.

The cheques were presented by the chairman of Whitbread, Alex Bennett, who declared that he had read none of the books, but his wife had.

I asked Miss Bainbridge why she had made her hero an accountant, a member of a profession not markedly attractive to practitioners of fiction. "I was writing about," she said, "I never write fiction, you see."

The EEC Commission, ever eager to prove that the common agricultural policy is a flexible and accommodating instrument, has tried to turn complaints about the butter "mountain" into their heads.

It has replied to those who demand that surpluses should be sold cheaply to consumers inside the EEC, instead of to outsiders like the Russians, by subsidizing a drastic price cut. It has answered those who condemn its plan to make margarine as dear as butter, by making butter as cheap as margarine.

The result is "Christmas butter", a chunk of 72,000 tonnes from the Community's over-producing surplus, which shoppers all over Europe—with one important exception—can buy until the middle of January. A regulation which says that the words "Christmas butter" must be stamped on every packet is now in operation and causing alarm throughout the butter trade.

Traders fear that the prevalence of butter carrying a subsidy worth 18p a pound on sale next to normal shop supplies will merely disrupt the Christmas market and encourage hoarding by families with frozen meat. The more will cost the Com-

munity budget 52 million units of account, or more than £20m.

The eighth writ in Italy is left out. The Community is already spending 39 million units on a scheme which leads to a subsidy worth 8p a pound on all EEC-produced butter sold here.

Problems surrounding Britain's £115m shipping contract with Poland, hanging from labour complaints about subsidizing "communist orders" and calls for a Parliamentary inquiry, are not, apparently, reaching the ears of the Poles themselves.

According to Andrei Kono-packi, press counsellor at the Polish embassy in London, the order is "one of a series" and has not aroused much interest or emotion in Warsaw.

The widespread reporting of difficulties such as the overtime ban at Swan Hunter was, he said, "a typically British syndrome." It had become a suspense story true to the British character, but nobody was making a fuss about it in Poland.

Reports that Poland was demanding a condition of the contract assurances about labour relations were not true. "It is a contract with specific terms of delivery but the whole issue has been overblown. The internal relations between British shipbuilders and the unions are not our affair."

Business Diary also spoke to W. Kono-packi, of Polish radio and television in London, who confirmed that he had reported the communiqué issued after the official signing of the contract in London. He told his Polish audience that the orders would help to solve some of the unemployment problems in



award in London yesterday. Talks are apparently still going on into Unilever's possible takeover there of National Starch and Chemical. "We may have something more to say soon," Sir David said.

His thank-you speech at the Savoy seemed apt enough in the circumstances. He said that with the chance offered by North Sea oil, Britain no longer needed exchange controls. Overseas investment must be made free again, because contrary to what the trade unions particularly were afraid of, investment abroad did not mean less investment at home.

He supported the familiar argument that overseas investment could create jobs at home by pointing out that this year Unilever was exporting some £400m worth of goods from the United Kingdom—more than half of it the result of investment abroad.

He added: "We have never in Unilever turned down an investment in the United Kingdom because we wanted the money to invest somewhere else."

One by-product of the hard times on which brokers and jobbers have fallen in recent months is a steady depletion of the ranks of the Stock Exchange male voice choir. An appeal was circulated to exchange members yesterday by Nicholas Goodison, Stock Exchange chairman, who is president of the choir. The choir will be able to present the annual Christmas concert at Carpenters' Hall tomorrow night, but recruits are needed now. He who would volunteer, let him come forth. Or is this an argument for bringing in more women?

Unilever's Sir David Orr yesterday: who needs exchange controls?

Britain and that both sides would reap some benefits.

But he had not reported any of the subsequent events, because nobody in Poland would be interested.

There is obviously no chance of the Hambr Businessman of the Year award ever going embarrassingly to a high-flying member whose wings will melt while the handsome silver trophy still stands fresh on the sideboard.

The eighth winner of this very establishment accolade is Sir David Orr, chairman of Unilever Ltd and deputy chairman of Unilever NV, who is one of the three-man Special Committee which runs the Anglo-Dutch multinational.

Sir David's career has been a solid achievement since at 26, with a first-class arts degree from Trinity College, Dublin, and a law degree in his pocket, he joined Unilever as a management trainee.

Sir David had flown in from the United States, to collect the

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The market value of the Ordinary Shares of The British Investment Trust Limited on 23rd November, 1977 was 145p xd.

Wood, Mackenzie & Co., stockbrokers, have estimated the values of the Offer at the close of the first dealing day of each of the six months preceding the announcement of the Offer. These produce an average premium over the middle-market values of the Ordinary Shares of The British Investment Trust Limited on those dates of more than 25 per cent.

The Board of Black Diamonds Pensions Limited and its financial advisers, S. G. Warburg & Co. Ltd., remain firmly of the opinion that the Offer is generous and attractive, particularly so following the inclusion of the guaranteed minimum cash price of 165p per Ordinary Share. Ordinary Shareholders of The British Investment Trust Limited are urged to accept without delay.

The day before the announcement of the guaranteed minimum cash price in the Press.

This statement has been issued by S. G. Warburg & Co. Ltd. on behalf of Black Diamonds Pensions Limited. The Board of Black Diamonds Pensions Limited has taken all reasonable care to ensure that facts stated and opinions expressed herein are fair and accurate and all the Directors jointly and severally accept responsibility accordingly.

John Earle

THE TIMES BUSINESS NEWS

For Saving Investing and House-Purchase

HALIFAX BUILDING SOCIETY

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HALIFAX BUILDING SOCIETY

£20.5m offer by NEB beats Trafalgar House move to buy Fairey companies

By Bryan Appleyard

In a move described as "outrageous" by Victor Arhews, deputy chairman of Trafalgar House, the National Enterprise Board has successfully topped this company's offer for the non-aviation business of the Fairey Group. The £20.5m NEB offer for 11 of the 14 companies in Fairey is accepted by its Receiver, Mr Charles Hardie, last night. Trafalgar had offered £18m for the 10 profitable companies or £16m for the whole group.

Mr Matthews responded by saying that Trafalgar had been "outraged".

"I think it is outrageous. We are a strong commercial group. It is not the NEB's job to intervene in this kind of situation."

He added that he believed the offer price had been at the end of the range and he hoped the company's belief in its own value would be vindicated in the future.

The NEB offer, which represents a premium over net assets, is for all Fairey's United Kingdom operating companies including Britten-Norman (Bournemouth), Fairey Staines (Barnstaple), Fairey Electronics, Sir Charles said the companies being purchased made

pre-tax profits of £4.8m last year and should make about the same in the current year.

The directors of Fairey have three months to submit a statement of affairs but the provisional statement shows liabilities of £28m plus interest. Preferential creditors, secured claims and bank loans guaranteed by the companies being sold come to £21m and unsecured claims to £7m. There will also be a substantial unsecured capital gains tax liability.

Investment in the Belgian subsidiary and Britten-Norman together with advances totals £10m and loans to the Belgian company guaranteed by the Fairey company come to £41m plus interest.

Sir Charles said the final outcome for unsecured creditors and priority shareholders would substantially depend on the dividend from the liquidation of the Belgian company.

Negotiations are continuing for the sale of Fairey Staines and Fairey Electronics. Short Brothers, the state-owned aircraft company, has made a proposal for the aircraft business. Britten-Norman is said to be now doing well, though the outcome of its receivership will not be known for some months.

Mr Rippon takes place of Sir James

By Ronald Pullen, Banking Correspondent

Mr Geoffrey Rippon, MP for Haslem, is replacing Sir James Goldsmith as chairman of Britannia Arrow Holdings, the renamed Slater-Walker Securities, as part of the restructuring of the board fore-shadowed at last month's annual general meeting.

Also retiring from the board are the merchant banking representatives—Mr Charles Hambro and Mr Peter Hill-Wood, of Hambro & Co, and Mr Ivor Kenningson, of N. M. Rothschild—who were drafted in under the auspices of the Bank of England just over two years ago to provide heavyweight support to Sir James.

Sir James was brought in in October, 1975, to steer the banking and property group out of its financial difficulties following the resignation of Mr Jim Slater, who left because of "the growing publicity concerning the dispute with Hav Par."

With the departure, too, of Mr Robin Wharton and Mr Colin MacLennan, the departure was also announced yesterday because they no longer have a role to play in the slimmed-down group, the only member of the old Slater group to remain is Mr Brian Banks, whose stewardship of the investment management side of the group was the only area to get a fairly clean bill of health in the joint accounts report on the group. He is stepping up as group managing director.

Joining Mr Banks on the board are Mr Michael Newman, as finance director, and



Mr Geoffrey Rippon (left), with Mr Brian Banks (centre) and Sir James Goldsmith.

two non-executive directors, Mr Louis Sherwood, whose City directorships include Anglo-Continental, now subsumed in Sir James Goldsmith's Générale Occidentale, and Mr Kevin Ney, of accountants Tansley, Wills.

Mr Banks said yesterday that he would continue to concentrate the activities of the group on the investment management and insurance businesses and that he viewed the boardroom changes as the final proof that the group had survived the traumas of the past couple of years.

Mr Rippon, whose previous stints in business have included the chairmanship of Holland, Hannen & Cubitts and directorships of Fairey and Bristol Aerospace, is also on the board of Dun & Bradstreet.

EEC summit heads hold out little hope of early drop in jobless total

on Michael Hornsby

ussels, Dec 5

A gloomy picture of the economic prospects for Europe in the years immediately ahead emerged at the opening hours of a two-day meeting of EEC heads of government. The hope was held out by any present of an early turn to growth or a reduction in unemployment.

During a warning against King to sombre a view, President Cisarac d'Estaing of France said that the unprecedentedly high level of joblessness "mailed a black spot" over the continent.

He said that the Nine could have to live with lower growth for several years.

In an apparent reference to the "American suggestion" that Germany should play a more vigorous "local" role in stimulating economic activity, Herr Schmidt, the German Chancellor, gave a warning against increases advanced for optimistic reasons.

There were no easy answers to the problems of recession,

inflation and high unemployment, and the creation of "printing press money" was no solution either for the United States or for Europe.

Herr Schmidt said. The EEC had in effect been financing the large American trade deficit by buying dollars.

The exchanges on the economic situation came after Mr Roy Jenkins, the president of the European Commission, had outlined his plans for relaunching the EEC on the path to economic and monetary union.

Accepting that a single European currency and a central monetary authority would only be a long-term goal, Mr Jenkins said the less urgent was the preparation for this objective could play a positive role in helping to solve current economic problems.

The Commission's scheme envisages at first a five-year period during which EEC member states would increase the coordination of the management of national economic policies and seek to promote

Two steel closures at reprieved Tees works

By Our Industrial Correspondent

British Steel has taken the first steps towards the phased shutdown of steelmaking at its South Works at Hartlepool on Teesside. The works, one of those reallocated to the Tyneside yard of Swan Hunter under the £115m Polish agreement.

The steelmaking at the works which has been operating at low levels for over two years will be suspended initially from this weekend and primary rolling activities will end on December 23.

About 1,500 workers will be affected by the shutdowns. It is expected that they will all be redeployed on the basis of the corporation's guaranteed week arrangement under which workers receive about 80 per cent of their basic weekly wage.

Trommeling at the South Works has been suspended since the 16th of September when the 16 members of the National Union of Blastfurnacemen opted to take voluntary redundancy settlements.

The BSC has made no statement about the future of the works, but it seems clear that the plant will be prepared to phase out the operations of the works in line with the Beswick review recommendations. Under that review the plant, which has five open rolling mills, would be prepared to phase out the operations of the works in line with the Beswick review recommendations. Under that review the plant, which has five open rolling mills, would be prepared to phase out the operations of the works in line with the Beswick review recommendations.

Govan ship stewards reject Swan plea to 'black' Polish ships

By Peter Hill

Shop stewards at the Upper Clyde yard of Govan Shipbuilders yesterday rejected an appeal to "black" any of the ships reallocated to the Tyneside yard of Swan Hunter under the £115m Polish agreement.

The stewards, who met after a seven 16,500 ton deadweight bulk carriers "Govan" from Swan Hunter because of an overtime ban by outfitting workers at the latter, called on the outfitting workers to abandon the industrial action and pursue their claim through normal negotiating procedures.

But a statement issued by Mr James Airlie, the Govan convenor, avoided committing the Govan workers to construction of the ship.

Mr Airlie noted that the keel of the ship would not be laid for some months and the Govan stewards were hopeful that a settlement of the Tyne dispute would be achieved by the end of the year.

"Our statement is quite clear", he said. "We have had a request by telegram from the Swan Hunter outfitting to black the ship. We will not black the Polish order. It is our view that all the 24 vessels must, and will be built in British yards. Any barriers or problems that jeopardize all or part of the industrial action will be removed under the agreement. The Govan stewards, we continued, would be willing to enter discussions on the reallocation of the one ship order already switched from the Tyne to the Clyde.

Mr Arthur Scott, Tyneside secretary of the Confederation of Shipbuilding Unions, said he did not expect the "statesman-like" decision of the Govan

Intervention fails to prevent fall in dollar

By David Blake

Economics Correspondent

The dollar fell sharply in betic trading throughout Europe yesterday in spite of heavy intervention by central banks in Germany and Switzerland.

Sterling rose by 1 cent against the dollar from its Friday level to close at \$1.8305, after having touched \$1.8310. The pound's effective rate rose by 5.2 percentage points to reach 63.5 per cent of its 1971 level.

Most of the strain caused by speculation against the dollar was borne by the currencies within the European "snake", where relatively weaker currencies such as the Belgian franc had trouble keeping pace with the very strong gains being recorded by the Deutsche mark, in spite of very heavy intervention by the Federal Bank.

The dollar's weakness renewed pressure on the stability of the joint European float, though all currencies within it seem to have received some funds fleeing from the American currency, whose effective rate as computed by Morgan Guaranty Trust now shows a 2.8 per cent depreciation from its 1971 parity, compared to only 2.05 per cent on Friday. There was also heavy buying of Swiss francs.

Other currencies such as the yen, which has recently been very strong, saw virtually no buying interest.

Fisons £10m issue: Deteriorating conditions in the sterling Eurobond market have led to Fisons raising the coupon on its £10m issue. The rate was put up from an indicated 10 per cent to 10 1/2 per cent and the price was fixed at par.

Higher pay burden on industrial costs

Continued from page 1

Prices to have been an important contributory factor. Prices in the vehicle sector are rising in the summer four times faster than in the last three months. In the oil sector, lower coffee prices have been an important factor. For the future, one of the indicators of prices is the price of industrial raw materials. These have now been falling for several months. In October, they fell by a further 1 per cent, helped by the appreciation of sterling on the foreign exchange markets.

In addition a fall in the price of crude oil has helped, together with a general fall in other commodities on the world markets. The result is that the price of industrial raw materials stands about 4 percentage points below that of October 1976.

This means that the only real assurance on industry's costs is coming from higher wages. These have also been restrained as a result of the increase in retail prices is bound to continue to decelerate in the first half of next year almost regardless of what happens to wages in other costs from now.

WHOLESALE PRICES

The following are the indices (1970 = 100) of wholesale prices of manufactured goods and basic materials and fuel purchased by manufacturing industry released by the Department of Industry yesterday. The figures exclude purchase tax but include revenue duties.

Year	Index	% change
1976	327.7	18.3
Oct	324.5	18.3
Dec	327.2	18.5
1977	344.9	24.1
Jan	348.2	24.7
Feb	348.2	24.7
Mar	346.7	24.2
Apr	346.7	24.2
May	348.3	24.5
Jun	348.3	24.5
Jul	344.5	23.8
Aug	344.5	23.8
Sep	344.5	23.8
Oct	344.5	23.8
Nov	344.5	23.8

Low the markets moved

The Times index : 202.63 +0.28
The FT index : 486.3 -0.4

THE POUND

Bank	Bank
buys	sells
Australia \$	1.66
Austria Sch	30.25
Belgium Fr	65.75
Canada \$	2.42
Denmark Kr	11.48
Finland Mk	7.90
France Fr	9.09
Germany Dm	4.20
Greece Dr	77.75
Hongkong \$	8.80
Italy L	1,625.00
Japan Yn	465.00
Netherlands Gld	4.20
Norway Kr	19.04
Portugal Esc	77.75
S Africa Rd	1.77
Spain Pes	157.25
Sweden Kr	9.42
Switzerland Fr	4.07
US \$	1.87
Yugoslavia Dnr	38.50

Stockpiling blunts edge of national stoppage

Washington, Dec 5—A national coalminers' strike will start in the United States tomorrow afternoon. Many mines were already closed today and negotiations between the United Mine Workers Union and employers are still engaged in a host of preliminary wrangles.

The nation's electric power companies have long expected this strike, and they are believed to have coal stocks to last through the winter.

These precautions taken by the electric utilities and by many industrial users of coal are likely to result in the strike having only a marginal effect on the economy in the near future.

The strike may last as long as three months, although the 150,000 miners involved will be under great pressure to return to work with the union unable to provide payments to them and its health and retirement fund on the verge of bankruptcy.

Yet the strike will probably affect no more than half of the nation's coal production. West coast miners have agreed a new

Copper output cut urged

Jakarta, Dec 5—General Kingsley Chindali, the Zambian minister of mines, today urged leading copper-exporting countries to cut production by 15 per cent to lift depressed copper prices.

He told a ministerial meeting of the Inter-Governmental Council of Copper-exporting Countries (CIPEC) that only an all-round production cut could raise copper prices from their lowest level in real terms in the past 20 years.

General Chindali, addressing the opening session of the two-day CIPEC conference, said buffer stocks would not solve

Half of American coal production likely to be cut by strike which starts today

contract and many mines not employing UMW members will be unaffected. But almost all the mines on the eastern side of America will be closed.

The UMW has not yet announced its pay demands, but it is likely to seek average increases of at least 40 per cent over the three-year life of the new contract.

The present contract, which expires tomorrow, raised the average hourly pay of top grade underground miners to \$7.88 and the top grade pay of surface miners to \$8.64.

But pay is not the main issue in this dispute. A critical concern is the state of the union's health and retirement fund. The union wants the employers to assume most of the responsibility while providing much more cash.

About 821,000 people are covered by the fund, but so parous are the finances that all health benefit payments are due to be cut tomorrow and all retirement benefits are due to cease in January.

Another vital issue centres on the right of UMW branches to call strikes over local mine disputes. The present arbitra-

Higher pay burden on industrial costs

tion system, which the employers are determined to maintain, is said by the union to have proved ineffective, and this issue could be the hardest to resolve in the negotiations.

The miners are said to be in a very good mood. They assert that the employers have displayed a callous disregard to the dangers of mining where some 2,000 people have lost their lives in the past 10 years.

Moreover, they believe they should be given a much higher income for working in this dangerous industry which is increasingly being viewed as the nation's efforts to become more energy self-sufficient.

The union points out that the income per miner per ton of coal sold has declined over recent years and that it is now time for this trend to be reversed.

It asserts that a coal miner received 49.3 cents of each sales dollar in the industry in 1963, but that today the miner receives only 35.8 cents of each sales dollar.

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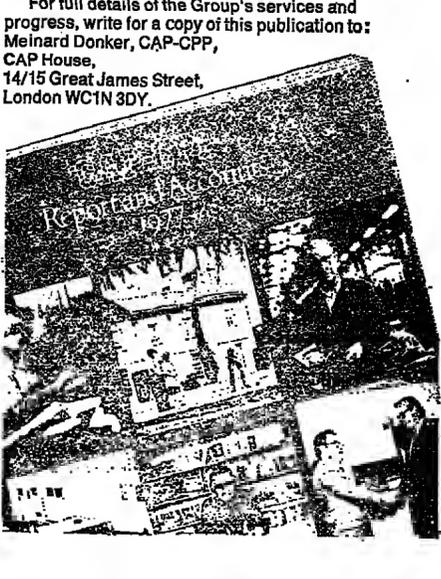
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Frank Vogl

Triumph output worth £33m lost in manning and work levels dispute

By R. W. Stakespeare

A strike by Triumph car workers at British Leyland's Merseyside plant entered its fifth week yesterday after weekend talks between senior management, national union officials, and shop stewards had failed to break the deadlock in a dispute over manning arrangements and production levels.

Labour troubles at the Speke, Liverpool, plant and consequent effects on output at the Triumph plant at Canley, Coventry, have cost Leyland lost production in cars worth about £33m over the past 10 weeks, and for the past three weeks all output of both the TR7 and Dolomite models has been at a standstill.

At the Merseyside plant 2,000 workers are on strike and another 1,500 laid off, while at

Canley, which relies on supplies of car bodies from Liverpool, another 2,000 men are laid off from the Dolomite assembly lines.

The TR7, normally one of Leyland's top selling export models, has been the main victim of the latest shopfloor unrest. Output of about 10,000 cars with a showroom value of around £3,000 each has been lost over the past 10 weeks.

The trouble centres on management plans based on studies by industrial engineers to introduce new manning scales and work levels. Shop stewards claim that the company has broken a local agreement by taking a unilateral decision to implement these new arrangements.

However, the company maintains that the decision to go ahead with the plans was taken

only after national negotiating procedures had been followed when it became clear that no progress towards agreement could be made at plant level.

Four weeks ago the 2,000 workers on the TR7 assembly operations walked out, and this led to the progressive lay-off of 1,500 other workers in the body pressing departments.

Last night a Leyland spokesman said: "The Dolomite assembly has had to be stopped for the past three weeks because, although we could make the bodies at Liverpool, we would not be able to get them out of the factory because transport drivers and maintenance men are on strike."

"The latest talks between union officials, management and shop stewards have left us in precisely the same deadlock situation."

Further fall in amount of new hire purchase finance during October

By David Blake

The amount of new credit extended by finance houses and retailers fell in October for the second successive month and at £386m was down £16m from the September figure. There was also a drop in the level of retailers' credit sales, with all kinds of stores seeing a slow-down in business.

To some extent, the latest drop reflects a natural fall back from the sharp increase recorded in August, when the amount of new credit extended rose to £417m, an increase of more than £50m.

Although the figures are supposed to be seasonally adjusted, most of the increase was accounted for by the sharp rise in finance house lending to cover purchase of cars, sales of which traditionally rise in August.

The more recent figures give a truer indication of the level of demand within the economy, where retail sales picked up slightly in the summer but have since given a mediocre performance.

In the three months to the end of October, finance houses extended £557m of credit (up 12 per cent on the previous three months) while retailers extended £648m (up 13 per cent).

Durable goods stores have had slack demand, with an increase

RETAIL SALES

The following are the seasonally adjusted figures for the volume of retail sales and value of new instalment credit released by the Department of Industry.

	Sales by volume 1970=100	Percentage change latest 3 months on previous 3 months at annual rate	New credit value £m
1976			
Oct	108.1	+ 3.8	310
Nov	109.2	+ 1.5	332
Dec	108.3	- 1.5	331
1977			
Jan	106.7	- 2.1	324
Feb	105.7	- 0.9	342
March	103.1	- 11.8	351
April	103.4	- 14.0	349
May	104.4	- 12.7	358
June	103.8	- 4.1	350
July	107.0	+ 4.3	363
Aug	107.2	+ 10.9	417
Sept	106.2	+ 11.8	402
Oct	105.4	+ 5.0	398

of only 5 per cent in their credit sales in the three months to October, while for department stores the figure is 17 per cent and for other retailers 15 per cent.

Retail sales figures for October have been revised downwards slightly from their first provisional assessment, with the index standing at 105.4 instead of the 106 originally assessed.

BP to spend £32m on energy conservation

By Edward Townsend

British Petroleum is planning to spend £32m over the next four years on energy conservation at the group's oil refineries which, it was predicted last night, could result in annual savings of £33m.

Sir David Steel, chairman of BP, speaking in London to members of the Insurance Institute, said that in addition, BP chemicals was planning to spend £25m on 40 projects aimed at producing further substantial savings.

BP had saved about 7 per cent of its energy expenditure on manufacturing last year compared with 1973, and had set itself a target of a 15 per cent saving by 1980.

Sir David, who described energy conservation as "insurance for the future" said that conservation must mean more than "Save It" campaigns or merely good housekeeping.

"The Department of Energy's renewed campaign to promote energy saving in the United Kingdom marks a growing national awareness that conser-



Sir David Steel: "Insurance for the future."

vation and more efficient use of energy resources is an urgent priority.

Sir David said he did not believe the United Kingdom's resources of oil, coal and gas would keep the country self-sufficient much beyond 1990, unless we used energy more efficiently and brought in new sources, including nuclear power and what we could economically harness from the sun, wind and waves.

China may order more from UK

By Our Commercial Editor

New orders from China for British industry were forecast yesterday by Mr Li Chang, Chinese Minister for Foreign Trade, as he and his trade delegation wound up a week of talks in the United Kingdom and left for a French tour.

Mr Li particularly mentioned the Harrier jump-jet military aircraft: "It is a good aircraft—in which the Chinese have previously expressed buying interest."

The Chinese are also still interested in Concorde, on which at one time they had buying options for three.

"We will observe Concorde for a few more years and decide on the result of its performance on the scheduled routes", Mr Li said.

He said he had sent briefings on what technology and equipment his country would need from Britain in the future; the priorities being basic industry, energy, electrical power and metallurgy.

Discussions on detailed buying would come later, he added.

Pay claims wait for settlement by key sectors

Settlements totalling 548, covering almost 1.5m employees and representing 6 per cent of the working population, had been received by the Confederation of British Industry's data bank at the close of the 18th week since the end of Phase Two.

Of these 84 per cent had been reached at, or around, 10 per cent. About three out of five had been at 10 per cent, and another 22 per cent had been below that figure. Most of the rest had been made at less than 15 per cent.

It said that claims, which continued to be very high, covered almost 23 per cent of the working population.

The influence of Stage Two was continuing to decline.

Evidence suggested that many bargaining groups were holding back until certain key sectors had negotiated, said the CBI last night.

"As far as it is possible to tell only about 40 per cent of those who should have settled by this time in the bargaining year, have done so," it said.

EEC threat to world multibre arrangement

Geneva, Dec 5.—The European Community still insists it will withdraw from the International Multibre Arrangement (IMA) regulating world textile trade unless it is changed to allow certain import restrictions, Mr Iran Van Thinh, EEC negotiator, said here today.

Mr Van spoke after textiles inspectors and exporting states had resumed meetings trying to decide on whether and how to extend the treaty, which runs out at the end of this year.

He said he was asked if the EEC's original position with respect to the treaty had changed after its negotiations with the principal textile exporting countries.

He told them that there has been no change in our position and that our final position will be determined by the Community's ministerial meeting on December 19 and 20, when the nine foreign ministers gather in Brussels, he added.

The major issue before the 50-nation conference is whether export restraint arrangements worked out over the past seven weeks between the Community and the exporters can be incorporated into the international agreement.

The Community has insisted on export restraints in place of the IMA. The textile industries of its member nations were being seriously damaged by an increasing flood of imports, mainly from Hong Kong, South Korea and other Asian developing nations.

An average annual increase of 6 per cent of developing countries' exports to the advanced consumer nations was provided for in the 1973 treaty. The Community says it has borne the major share of this since the United States had already concluded restraint treaties with its own principal suppliers before 1973.

Developing countries would favour a simple extension without any change of the IMA as it has helped them to develop their first large-scale export capability for manufactured goods competitive with those produced in the industrialized world.

Global trade in textiles last year was valued at about \$50,000m (about £27,770m) and of this exports accounted for by the IMA covered more than 80 per cent, or \$40,000m, with Third World nations the main beneficiaries of recent export growth.

To them the fate of the treaty is a test of industrial nations' willingness to grant the poorer nations a larger share in world trade.—AP-Dow Jones.

LETTERS TO THE EDITOR

'Unsatisfactory' requirements over directors' standards

From Mr W. Goodhart

Sir, Many aspects of the White Paper, "The Conduct of Company Directors", deserve warm support. For example, the prohibition of insider dealing—proposed in 1972 by "Justice" in a report prepared by its Company Law Committee (of which I am chairman)—is most welcome, and it is to be hoped that these proposals will at least reach the statute book. The White Paper, however, contains one proposal which is at first sight innocuous but is in fact profoundly unsatisfactory.

I refer to paragraph 4 of the White Paper, which deals with the required of a director. It is commonly assumed that this standard was authoritatively stated by Mr Justice Romer in 1924 in *re City Equitable Fire Insurance Co*, when he said that a director need not exhibit in the performance of his duties a greater degree of skill than may reasonably be expected from a person of his knowledge or experience."

These words appear to mean that a director is not necessarily required to exercise the skill and care which is needed for the performance of his job. If so, the standard required of a director is much lower than that required for other jobs. A surgeon who botches his first operation or a newly-qualified HGV driver who crashes his lorry cannot plead his own inexperience as a defence to an action for damages, but a director in a comparable situation could do so.

At a time when business management is increasingly regarded as an important profession, this can only be regarded as unsatisfactory. To quote from a memorandum recently submitted to the Department of Trade by the Company Law Committee of "Justice": "It is clearly desirable that all directors, whether executive or non-executive, should be expressly made liable for negligence if they fail to exercise the degree of skill and care which is reasonably required for the proper performance of the tasks which they are called upon to carry out."

But, according to paragraph 4 of the White Paper, the Government does not propose

to raise to an adequate level the standard of skill and care required of a director. It does not even intend to leave Mr Justice Romer's formulation alone, in which case it would at least be subject to review by the courts. It actually proposes to codify that formulation by writing it into a statute. This is so surprising that one seeks for some explanation. Is it being unreasonably suspicious to assume that what is behind this proposal is the Government's view of the capabilities of employee-directors? If so, one must conclude that Government which is committed to the eventual introduction of employee-directors is not satisfied that there will be enough people available who have the knowledge and experience required to do the job.

"Justice" is a non-party organization which has not expressed any views on the merits of the Bullock Committee proposals or any other proposals for the introduction of employee-directors. I must make it clear that I am not writing on behalf of "Justice". It would be regrettable, however, if the Government were to allow fears of possible implications for the appointment of employee-directors to induce it to enshrine in a statutory code the present unsatisfactory law on directors' duties of care and skill.

Yours faithfully,
WILLIAM GOODHART,
3 New Square,
Lincoln's Inn,
London WC2,
November 30.

From Mr R. Wood

Sir, The present discussion regarding company reform in general and insider dealing in particular is in danger of getting out of hand. The following factors need to be emphasized:

First, the assumption that so-called insider dealing results in the emassing of vast profits is naive and unrealistic. In practice, for every profit that is made in this way there is a corresponding loss on information that proves to be incorrect, while in many cases favourable announcements are often anticipated and, sometimes, are more

than fully anticipated so that on the awaited announcement share prices actually fall.

Secondly, in so far as the element of social and economic abuse is concerned, any such transgressions in this respect consist of isolated individual cases in which, as explained above, as often as not, losses and not gains eventuate. This compares with the consistent abuse of monopoly power organized on a massive scale by trade unions of which the latest example is the overtime ban by the Tyneside shipworkers.

Both the Wilson Labour Government and the Heath Tory government, in response to well-defined public opinion, endeavoured to make the anti-social activities of the trade unions subject to the law. In both governments failed to achieve their object which is a reflection not of the validity of the trade union case but of the extent of the abuse of power exercised by this institution.

Thirdly, it is therefore entirely unacceptable that the main pressure for making insider dealing a criminal offence should come from left-wing trade union sources who represent the very institution that in need of reform and legal restraint.

On the other hand, it would be paradoxical if the activities of people such as investment analysts, who are the watchdogs for both institutional and private investors, should be directed by an ill-conceived law in their endeavours to assess the merits of particular companies.

It must be emphasized that such people are highly trained and skilled professionals who visit companies, not with the intention of gaining privileged information, but in order to apply their experienced judgment and expertise to information regarding trading activities which can in no way be described as privileged. It would be a retrograde step if people such as this were in the future to have their legitimate activities subject to such constraints.

Yours truly,
RUSSELL WOOD,
Kennet House,
Kennet Wharf Lane,
Upper Thames Street,
London, EC4V 3AJ,
November 29.

American tax cuts of \$115,000m forecast

Washington, Dec 5.—The United States will have to hand out tax cuts of up to \$115,000m (about £62,152m) a year to sustain the economic recovery and lower unemployment over the next five years, the Congressional Budget Office said today.

The report gave indirect, but strong support, to President Carter's expected call for substantial tax cuts next year.

The independent Congressional agency said in a five-year projection that tax cuts or large Federal spending programmes would be needed to offset expected drags on the economy.

By the 1983 financial year, the agency said, a tax cut of \$115,000m a year would be needed to offset what it called the expected "fiscal drag".

achievement of national economic goals, which include a growth of the real gross national product at about a 4.8 per cent rate, and a gradual reduction of unemployment from 6.9 per cent now to 4.5 per cent.

By the 1983 financial year, the agency said, a tax cut of \$115,000m a year would be needed to offset what it called the expected "fiscal drag".

It said that budget income will rise faster than outlays, taking money out of the economy and thus impeding



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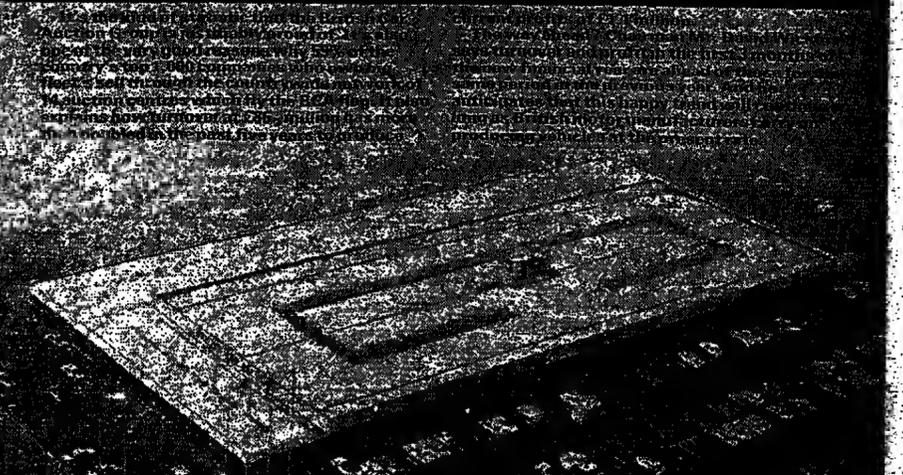
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Handwritten Arabic text: "هذا من الاصل"

BY THE FINANCIAL EDITOR

What is the NEB's philosophy?

Its castigators have already shown horror at the National Enterprise Board's successful outbidding of Trafalgar House to get control of Fairley's British assets. It is the NEB's first full-blown bid against a rival bidder from the private sector, and the vision of the NEB mobilising its millions of taxpayers' money to take out a business already presented with an alternative solution is one calculated to stimulate outrage in the private sector.

In fact this deal is not such a novelty. The NEB has already been involved in a bid battle with Guinness over White Child & Bentley, although admittedly it did not make a full counter offer: it has always been its philosophy to invest in profitable concerns as well as the lame ducks dropped in its lap by the Government. The exit price earnings ratio of just under 9 is by no means profligate, and the margin by which it has

being highly dependent on South Africa and up against increasingly stiff competition from much larger companies in Europe, can — on these figures — both survive and grow.

This poses a problem for Johnson & Firth Brown whose 20 per cent holding must be burning a hole in its pocket having seen one bid, which would have given a handsome profit, pass out of the window. But Osborn shareholders may still need to be convinced that this level of profits is sustainable: the improvement, coming in such a short time, is quite remarkable. At 75p up 2p, the shares yield only 5.2 per cent, which even on this performance, still provides scope for speculative possibilities.

● The Bank of England may have it within its power, for a short period at least, to influence domestic interest rates, but the Eurosterling market, a highly sensitive indicator of what foreigners holding sterling think of developments in the United Kingdom, is another matter. During the past few days the market has been showing in no uncertain fashion how dubious it is about the Bank's interest rate tactics, and yesterday Fisons was obliged to raise the coupon on its sterling Eurobond issue from 10 to 10½ per cent and it looked very much as though Courtauld might have to do something similar with its 9½ per cent issue.

It is an inauspicious start for a market that has been full of promise during the past few weeks for both issuers and investors. Selling was developing last Wednesday and Friday the market was in full retreat. The Finance for Industry issue, priced on Friday, was particularly hard hit, reaching 96½ last night compared to an issue of 99½ where it yields 10½ per cent.

The first point to make is that investors evidently believe that, in spite of the Bank's restraining action, interest rates here are headed upwards. The second, and potentially more important point is that the volatility of the stock market and the evident willingness of investors to get out of the first sign of trouble, raises real questions about the underlying strength of investment demand for sterling Eurobond issues.

Harrisons & Crosfield

A challenge in plantations

Having already beaten off one attack this year on part of its empire — then it was Golden Hope which was under attack — Harrisons & Crosfield is now facing another threat. This time it is by way of a bid for Malayan Plantations from McLeod Russell.

McLeod, which already owns or has options on 29.99 per cent of Malayalam, is hiding 23p a share, valuing the entire company at £6.25m. With H & C and associates controlling 23.64 per cent and Malayalam (whose chairman, Mr Frederick Harper, is on the H & C board) rejecting the bid, the City seemed an eventually increased offer and the shares rose 2p to 24p.

Malayalam's situation is complicated as it prepares for Indianisation since it is a hybrid company spanning both tea and rubber plantations.

In the absence of a defence document, Malayalam shareholders are going to have a difficult task of trying to assess the bid since the remittance of dividends from India is irregular in both size and timing, while the valuation of assets is not easy.

Malayalam is important to H & C since it controls some 2.8 per cent of the company's Malaysian assets. Two other companies held on similar minority holdings — London and Sumatra and Harcor — bring the holding up to around 10 per cent. If all three companies were taken out of the H & C camp it would make an awkward dent in H & C's control of HME which has still yet to reach full agreement with the Malaysian authorities on changing domicile.

During four months of abortive talks that followed McLeod's acquisition of the Malayan stake, the possibility of selling the HME stake back to H & C was raised, but although McLeod appears to have been holding out for a higher value than the then stock market value. However, that did not get very far since H & C was unwilling to sell Malayalam out of its grasp in the first place.

The bid does appear to have exposed a damaging gap in the minority cross holdings in the H & C empire.

Blurred vision on union recognition

Eric Wigham

Sections of the Employment Protection Act on which the TUC probably placed greatest store, those dealing with trade union claims for recognition, have resulted in such a tangle of law suits and so much fruitless argument between the Confederation of British Industry and union leaders that there is talk about the desirability of repealing them altogether, particularly among those responsible for implementing their provisions.

The TUC is concerned because in some respects the clauses threaten to override its own procedure for settling disputes between unions, the so-called Bridlington procedure. The CBI complains that the way the Act is being interpreted by the Advisory, Conciliation and Arbitration Service (Acas) is increasing trade union fragmentation and has resulted in loss of confidence among employers in the impartiality of the service. It is pressing for agreed criteria under which claims should be decided.

Both the TUC and the CBI have nominated a council which runs Acas and in its last few meetings have been devoted largely to arguments about recognition cases. Next week the council will meet again for the purpose of the CBI demand for fixed criteria, though with little prospect of agreement. Meanwhile, at least one private member's Bill to amend the clauses will be presented to the House of Commons by a left-wing Labour member.

The seventh writ this year challenging the legality of recognition claim handling was served on the Acas office in Westminster last Friday. The Law Lords are meanwhile expected to give their verdict at last on the most publicized case arising out of the Grunwick dispute, before Christmas.

Acas is also under the Act, if a claim for recognition for the purpose of collective bargaining is referred to it and cannot be settled by conciliation, to consult all the parties

involved and to find out the opinions of the workers affected before making a report. The Grunwick case arose because Acas could not, and therefore did not, consult all the workers.

The latest writ, issued by a non-TUC union, the United Kingdom Association of Professional Engineers (UKAPE), questions a decision by Acas not to recommend recognition by an engineering company, although there was strong support for it among the workers.

Of the other five writs one affecting the Legal and General Assurance Society was followed by court action which Acas lost. The other actions are still pending.

Besides these there was a threat of legal action by the Engineers and Managers Association (EMA) to force Acas to deal with a recognition claim for certain classes of engineers at a GEC plant at Whetstone. A TUC disputes committee ruled last March that the EMA contravened a Bridlington procedure by organizing at Whetstone, where the technical and supervisory section (Tas) of the engineers union already had some members.

Its finding was not only that EMA should stop recruiting and advise its Whetstone members to join Tas, but also that it should not proceed with any claim for recognition for the staff concerned.

The EMA refused to accept this and applied to the courts for an injunction to stop the

recruitment (EMA) to force Acas to deal with a recognition claim for certain classes of engineers at a GEC plant at Whetstone. A TUC disputes committee ruled last March that the EMA contravened a Bridlington procedure by organizing at Whetstone, where the technical and supervisory section (Tas) of the engineers union already had some members.

... a tangle of law suits and so much fruitless argument that there is talk about the desirability of repealing those sections of the Act altogether



Mr Kenneth Graham, one of the TUC's newly appointed assistant general secretaries, who will be looking into the TUC's procedure for settling inter-union recognition disputes.

that the implications of the vast new responsibilities which the TUC has undertaken in the past few years are more than he has time to handle.

So, a revival of detailed departmental work. Mr David Lea will be free to give his mind to such matters as the social contract and the union's economic strategy and Mr Graham to the new issues which have arisen in inter-union relations, partly as a result of the Government's labour legislation.

He has been asked to consider how the Bridlington procedure can be made to stick in spite of the law, now that inter-union differences are much less frequently concerned than in the past with competition and much more with recruitment and recognition, particularly of white collar workers.

on settlements by conciliation rather than references to disputes committees and may on occasion take the initiative in bringing unions together where they have a history of disagreement.

The banks and commerce and white collar organizations in the engineering industry, are obviously fields which require his attention. His new status will not doubt help him in his meetings with union leaders.

The CBI wants changes in sections 11 to 16 of the Employment Protection Act, which deal with recognition, and the TUC may well decide that changes are needed either in the Act or in the Bridlington principles, or both. But neither is or present talking about abolishing those sections. It is the officials of Acas who wonder how long they can go on working in the middle of a legal minefield.

They are charged under the Act to promote the improvement of industrial relations and to encourage the extension of collective bargaining, but the two objectives are mutually exclusive. When they refused to recommend the recognition of URAP, although the staff, concerned wanted it, it was because they thought it would worsen industrial relations in the engineering industry.

On the other hand they have sometimes recommended recognition for small groups of workers where the known support has seemed to employers to have been insufficient.

If eventually it is decided that sections 11 to 16 in their present form are doing more harm than good, the TUC will certainly demand that something be put in their place. It never intended them to be used to deal with inter-union disputes and that was why employers are not empowered to make use of them — another CBI grievance. But the TUC wants a legal means for unions to secure recognition where it is denied them.

Companies	% held	cost £'000
Data Recording	57.4	3,137
Ferranti	50.0	100.0
Herbert	100.0	26,198
Sinclair Radionics	75.2	850
100.0	1,200	
British Tanners Products	50.0	500
Cambridge Instruments	48.3	1,770
100.0	580	
Computer Analysts and Programmers	29.9	549
ICI	24.4	12,083
Pitcair	20.4	87
100.0	400	
Synalco	26.0	504
Twislock	33.3	987
Brown Boveri Kani	17.8	1,200
Francis Shaw	100.0	546

outbid Trafalgar is not excessive, and pre-tax profits of £4.8m from companies acquired for £20.5m comply with the 15-20 per cent return on capital criterion just outlined for the NEB by Mr Varley, the Industry Secretary.

But the bid does raise again the more fundamental question of whether the NEB has a cogent investment philosophy or whether its spending is wholly piecemeal. It is not clear what "industrial logic" lies behind this latest addition to the NEB's portfolio, a point which is bound to lead to weight to those who argue that its main objective at the moment is simply to commit its money as quickly as it can so that its unscrupling by an unsympathetic Conservative government at some future date is made that much more difficult.

The other, more practical, question is whether it is possible for any investing institution to make significant new equity investments successfully at the pace of the NEB. So far it seems to be going well (although, of course, its lame ducks) but such has been the speed of investment that there are bound to be doubts about how comprehensively the NEB can monitor its existing commitments, let alone get involved in new ones.

Samuel Osborn

Why Weir went away

It is easy to see from Samuel Osborn's full year results why the group failed to reach agreement on terms for a takeover from the Weir Group. Osborn was expected to make about £2.4m profit, but the actual instead of the published return is £3.4m, and Weir's calculation were almost certainly based on the lower figure.

Nearly all the Osborn gain has come from the steel activities, which, by rights, and in comparison with every other steel company, should have been having to pull all the stops out, even to stand still. In the event trading profits have risen from £273,000 to £1.53m, so that the profits in the second-half alone were more than £1m.

The explanation apparently is that the Ecclefield plant, which the group moved into some five years ago, has at last paid off in terms of productivity, with higher volume and lower unit costs bringing big benefits.

Thus a company which looked hard pressed to survive as an independent unit

The shadow of Sindona over Banco di Roma

The troubles of Banco di Roma are not a typical banking crisis, but represent the latest chapter in the still unfinished Sindona saga, Italy's biggest politico-financial scandal since the war.

There has been no sudden loss of confidence in the bank's deposits, no fears of misappropriation of customers' funds. In fact, the investigating magistrate is looking into allegations that the management did too much for clients, by increasing ones at least — by allowing those who had allegedly exported funds to be reimbursed on the eve of the Sindona collapse.

When led to the suspension of the two joint managing directors, Signor Mario Barone and Signor Giovanni Guidi, by their failure to produce to the Milan magistrate a list of more than 500 accounts with another Sindona bank, the former Finance Minister, Signor Ciriaco De Mita, bank of Geneva. These accounts, it is maintained, belonged to customers of the Sindona banks in Milan, whose list had been sent illegally to Finbank for conversion into foreign currency, then returned to Italy.

Since these now figured as foreign funds, the allegation goes, most were reimbursed shortly before the crash.

All this happened in late summer 1974. Banco di Roma, Italy's fourth biggest bank and a member of the vast parasatellite Istituzioni per la Ricostruzione Industriale (IRI), has by then taken control of Signor Michele Sindona's main Italian banking and property interests.

When public confidence in the United States was already faltering, Signor Sindona's Franklin Bank, Banco di Roma, decided to support him for reasons which are not entirely clear, but which owe much to

alleged recidivism before the magistrate.

The bank's immediate reaction was to extend the powers of the chairman, Signor Leopoldo Medugno, to strengthen the executive committee and — only two days before it had issued a denial of any irregularities — to set up an internal inquiry.

Will these steps be enough? Even if they do, the banks will still have a residual share in Sindona Generale Immobiliare, whose survival remains in doubt.

The company, which by the irony of coincidence built the Watergate complex in Washington, has steadily accumulated losses and debts to a pre-occupying level. Banco di Roma first ceded most of its holding to a group of Roman building contractors, but the problem was too big for them.

Unsuccessful attempts were made to negotiate the entry of the cooperative movement and IRI. Besides the financial difficulties of some of its leading member companies it has had its share of scandals, ranging from the flight abroad of Signor Camillo Criciani, former head of the Finmeccanica engineering sector, to charges pending against top executives of the shipping sector.

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Then there is the question of whether Italian justice will ever bring Signor Sindona to trial, along with his former right hand man (with whom he has fallen out), Signor Carlo Bordonini, now lying in a Venezuelan jail. Signor Sindona lives in an hotel in New York, where he is fighting a two-year-old Italian request that he should be extradited on charges of fraudulent bankruptcy, arguing that he is the victim of political persecution.

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The Offer will close at 3 p.m. on Monday, 12th December, 1977 and cannot be extended. Ordinary Shareholders who wish to accept the Offer should therefore note that the final time for acceptance is 3 p.m. on Monday, 12th December, 1977 and are accordingly strongly urged to accept without delay.

In the event of the Offer becoming unconditional accepting Ordinary Shareholders will be entitled to receive for each of their Ordinary Shares of The British Investment Trust Limited:

a guaranteed minimum cash price of 165p

Or,

if the formula value is higher on 12th December, 1977 and the Offer is declared unconditional, a higher cash amount.

165p is the highest price paid by Black Diamonds Pensions Limited for Ordinary Shares of The British Investment Trust Limited.

The market value of the Ordinary Shares of The British Investment Trust Limited on 23rd November, 1977* was 145p xd.

Wood, Mackenzie & Co., stockbrokers, have estimated the values of the Offer at the close of the first dealing day of each of the six months preceding the announcement of the Offer. These produce an average premium over the middle-market values of the Ordinary Shares of The British Investment Trust Limited on those dates of more than 25 per cent.

The Board of Black Diamonds Pensions Limited and its financial advisers, S. G. Warburg & Co. Ltd., remain firmly of the opinion that the Offer is generous and attractive, particularly so following the inclusion of the guaranteed minimum cash price of 165p per Ordinary Share. Ordinary Shareholders of The British Investment Trust Limited are urged to accept without delay.

*The day before the announcement of the guaranteed minimum cash price in the Press.

This statement has been issued by S. G. Warburg & Co. Ltd. on behalf of Black Diamonds Pensions Limited. The Board of Black Diamonds Pensions Limited has taken all reasonable care to ensure that the facts stated and opinions expressed herein are fair and accurate and all the Directors jointly and severally accept responsibility accordingly.

Business Diary: Novel villainy • Scrooge in Brussels?

Ross Darius, Business Diary's editor, went to yesterday's Whitbread Literary Awards in London.

It's ironic that Edward Freeman, the hero of Beryl Bainbridge's best-selling novel, *Injury Time*, should be an accountant.

Miss Bainbridge, who yesterday won the £1,500 Whitbread award for European best novel, knows for some time that the editor can keep the money — as can a pool winner — or whether Sir William Pile, chairman of the Board of Inland Revenue, will take much of it from her.

Sir Wigham — and I should have thought a former under-secretary at the Department of Education and Science would have known better — is having little success in stopping accounts from getting away with hundreds of millions of pounds through artificial tax avoidance schemes for companies and rich individuals. The tax authorities are, however, seeking to recoup a little self-esteem if far less cash, by putting in the boot for some seemingly productive people — to wit, authors.

As my brother diarist Anthony Holden, *Anticus* of the *Sunday Times*, recently pointed out, the *Tales* Revenue can make a good case of a former Whitbread winner, Andrew Boyle, who won a pot of his 1974 prize for *Cot*, *Dear Brenda*, appropriately enough the biography of the founder of the *Financial Times*, Brendan Bracken.

Miss Bainbridge received her cheque in London yesterday, as did Beryl Macdonald for her children's book *No End to Yesterday* and Juliet Nicholson on *My Mother's Name*, Nigel, for *My Mother's Name*, Mary Curzon,

The cheques were presented by the chairman of Whitbread, Alex Bennett, who declared that he had read none of the books, but his wife had.

I asked Miss Bainbridge why she had made her hero an accountant, a member of a profession not markedly attractive to practitioners of fiction. To my disfigure, who was writing about "she said": "I never write fiction, you see."

The EEC Commission, ever eager to prove that the common agricultural policy is a flexible and accommodating instrument, has tried to turn complaints about the butter "mountain" on their heads.

It has replied to those who demand that surpluses should be sold cheaply to consumers inside the EEC, instead of to outsiders like the Russians, by subsidising a drastic price cut. It has answered those who condemn its plan to make margarine as dear as butter by making butter as cheap as margarine.

The result is "Christmas butter" — a chunk of 22,000 tonnes from the Community's ever-larger surplus, which shoppers all over Europe — can buy until the middle of January. A regulation which says that the words "Christmas butter" must be stamped on every packet is now in operation and causing alarm throughout the butter trade.

Traders fear that the presence of butter carrying a subsidy worth 18p a pound on sale next to normal shop supplies will more disrupt the Christmas market and encourage hoarding by families with freezers. The move will cost the Com-

munity budget 52 million units of account, or more than £30m. The only snag is that Britain is left out. The Community is already spending 59 million units on a scheme which leads to a subsidy worth 8p a pound on all EEC-produced butter sold here.

Problems surrounding Britain's £115m shipbuilding contract with Poland, ranging from labour unrest to complaints about subsidising "communist orders" and calls for a Parliamentary inquiry, are not, apparently, reaching the ears of the Poles themselves.

According to Andrej Kono-packi, press counsellor at the Polish embassy in London, the order is "one of a series" and has not aroused much interest or emotion in Warsaw.

The widespread reporting of difficulties such as the overdimensioned Swan Hunter was, he said, "a typically British syndrome." It had become a suspense story true to the British character but nobody was making a fuss about it in Poland.

Reports that Poland was demanding as a condition of the contract assurances about labour relations were not true. "It is a contract with specific terms of delivery but the whole issue has been overblown. The internal relations between British Shipbuilders and the unions are our affair."

Business Diary also spoke to W. Kormacki of Polish radio and television in London, who confirmed that he had reported the official signing of the contract in London. He told his Polish audience that the orders would help to solve some of the unemployment problems in



Unilever's Sir David Orr yesterday: "who needs exchange controls?"

Britain and that both sides would reap some benefits.

But he had not reported any of the subsequent events because nobody in Poland would be interested.

There is obviously no chance of the Hambro Businessman of the Year award ever going embarrassingly to a high-flying newcomer whose wings might melt while the handsome silver trophy still stands freshly on the sideboard.

The eighth winner of this very establishment accolade is Sir David Orr, chairman of Unilever Ltd and deputy chairman of Unilever NV, who is one of the three-man Special Committee which runs the Anglo-Dutch multinational. Sir David's career has been all solid achievement since at 25, with a first-class arts degree from Trinity College, Dublin, and a law degree in his pocket, he joined Unilever as a management trainee.

award in London yesterday. Talks are apparently under way on into Unilever's possible takeover there of National Starch and Chemical. "We may have something more to say soon," Sir David said.

His thank-you speech at the Savoy seemed apt enough in the circumstances. He said that with the chance offered by North Sea oil, Britain no longer needed a heavy reliance on overseas investment funds.

He supported the familiar argument that overseas investment could create jobs at home by pointing out that this year Unilever was exporting some £400m worth of goods from the United Kingdom — more than half of it the result of investment abroad.

He added: "We have never in our lives turned away an investment in the United Kingdom because we wanted the money to invest somewhere else."

One by-product of the hard times in which brokers and jobbers have fallen in recent years has been a "serious" depletion of the ranks of the Stock Exchange male voice choir. An appeal was circulated to exchange members yesterday by Nicholas Goodison, Stock Exchange chairman, who is president of the choir. "The choir will be able to present the annual Christmas concert at Carpenters' Hall tomorrow night, but recruits are needed now. He who would volunteer, let him come forth. Or is this an argument for bringing in more women?"

Frustrated BP issues ultimatum over Sardinian protein plant

From John Huxley
Cagliari, Sardinia, Dec 5

British Petroleum officials said today that the company is looking at alternative uses for a £30m plant built in Sardinia to produce Toprina protein.

The 100,000 tons per annum plant should have come on stream 18 months ago, but is still not being allowed to operate by the Italian authorities.

Mr Hector Watts, managing director of BP Proteins, said that the plant, to produce protein for animal feedstuffs from n-paraffins separated from crude oil, is now costing £10m a year to finance and maintain.

"In the interests of our shareholders we cannot go on like this much longer. We confirm that the company is giving serious consideration to pulling out of Sardinia if approval for production is not indicated within the next two or three months. The January 31 deadline set after fruitless meetings with the Italian authorities in the summer still stand," he said.

Mr Watts also said that BP lawyers are now investigating the possibility of taking legal action against the Italian authorities if BP is forced to liquidate the plant.

The plant, at Sarroch, is controlled by Italproteins SPA, a 50-50 venture between BP and Anic, the petrochemical arm of ENI, the state energy company.

The prospects for alternative use or dismantling for removal to another site are limited. The company has more than its share of £40m (less about £4m if the project goes ahead) tied up at Sarroch.

"A whole new technology which could make an important contribution to the hungry world may have to be abandoned if this plant is condemned to inactivity much longer," Mr Watts said.

Already delays at Sarroch have caused the postponement of an agreement signed by BP last year to use its technology at a £20m plant in Venezuela. Studies have been made with Saudi Arabia and Kuwait and approaches have also been received from the Soviet Union and China.

Mr Chris Green, BP Proteins' commercial manager, said that the market for protein knowledge is substantial, but that countries are unlikely to buy it if it is still a new technology.

The project began in 1972 with the backing of the Italian government, which offered grants and favourable loan terms. The production and marketing of Toprina has been approved in Italy on the basis of a decree from the Italian ministries of health, agriculture and industry.

Building began at Sarroch in 1974 along the lines of a demonstration unit with a production capacity of 4,000 tonnes per annum at Grangemouth.

In February last year, however, the health authorities suspended approval for the sale of Toprina pending further testing. Eight months later approval was given for the plant to operate at the reduced level of 40,000 tonnes per annum, although the ban on product sales continued. Production was then again

suspended, pending plant modifications which, say BP, the authorities have not specified.

The doubts raised in Italy, the company says, have been considered by various international authorities, all of which have affirmed the safety of the product, which has been included in the draft directive issued by the EEC concerning suitable animal feedstuffs.

Despite the importance to BP of the Sardinian venture, the company is in earnest in its stated intention to withdraw.

The patience of the officials is exhausted, Mr Watts said. The company cannot continue indefinitely to bear the burden of tangible losses in the hope of future benefits. Neither is BP convinced that the Italian authorities are withholding approval for the reason so far stated.

The stated objections, say BP, are to the product (it has been claimed for instance that paraffin residues found in pig feed on Toprina are too high) and to the process (the authorities are worried by dust emission from the plant).

On the first count, Mr Watts points out that n-paraffins are permitted in much higher concentrations in feedstuffs for human consumption. On the second, he says that the plant meets fully every known regulation, and is in any case far safer from dust than say concrete plants.

Mr Green added: "We have been through all the right procedures and have got all the necessary approvals. Then they started raising new objections.

Hitachi denies loss of interest in assembly factory on Wearside

By Derek Harris
Commercial Editor

Hitachi, the Japanese electronics group, last night strongly denied any intention to withdraw its application to the Government to establish a colour television assembly factory at Wearside, in the North-east of England.

Hitachi's plan has caused increasing controversy as fears have grown of a net loss of jobs from setting up the factory. As a result the Government has delayed a decision on the Hitachi application until talks are completed with both the domestic electronic components industry and the trade unions.

As these talks continued yesterday reports were circulating in the North-east that Mr Peter Viggers, Conservative MP for Gosport, had claimed in his constituency that Hitachi did not intend to move to Wearside. Mr Viggers was reported to have made the comments while visiting the Thorn colour television factory in his constituency.

Mr Viggers said last night that he had been given to understand by a source he believed to be reliable that Hitachi did not now expect or intend to pursue its application to establish in Wearside.

He had understood that it was reconsidering the whole matter and might make a subse-



Mr Viggers: information given to him in good faith.

quent application to start a factory elsewhere in Britain.

He had not discussed the matter directly with Hitachi but the information had been given to him in good faith, Mr Viggers added.

A Hitachi spokesman said last night: "The company has no intention of withdrawing its application to establish a factory at Wearside new town."

The Department of Industry confirmed that there had been no lessening of interest by the Japanese company and that talks were continuing.

It seems unlikely that Hitachi has been trying to pressure the Government into a decision.

27,800 new dwellings completed in October

Builders completed 27,800 houses and flats in Great Britain during October, a slight drop from the previous month's total but some 2,000 better than in October, 1976.

Figures released yesterday by the Department of the Environment show that starts were also down on the previous month, but the October total of 24,600 was 3,100 up on the comparable 1976 period.

Taking three month totals to reduce the effects of month to month fluctuations, and discounting seasonal movements, total starts in August to October were up 2 per cent on the previous three months, May to July, but were 8 per cent lower than August to October a year ago. Completions were 5 per cent up on the previous three months, but 1 per cent lower than a year ago.

Post Office review by Carter Committee 'omits important issue'

Concern that the important topic of the convergence of telecommunications with computing was not debated in the Carter Committee's review of the Post Office has been voiced in a joint statement by the British Computer Society and the National Computing Centre.

It is important to question the very basis of the Post Office monopoly, the two organisations say. It is essential for the Post Office to be able to provide, exploit and use of appropriate data-communications services.

They argue that the Post Office should continue to hold a monopoly as a carrier, but that the connection of any "forming" equipment to the Post Office network should be allowed. Switching by either the Post Office or a user should be aware of all the factors that may make it useful to switch any traffic, the joint submission says.

The existing switching monopoly inhibits the development and exploitation of socially useful technical possibilities.

The two organisations also believe that it is essential for there to be a firm commitment to a public switched digital data network by the early 1980s, and for such a network to be fully compatible at least with those in Europe and North America.

In the joint submission the BCS and the NCC point out that the "general licence for message-conveying computers" (prepared under Section 27 of the Post Office Act 1969) requires that a language or code comprehensible to the Post Office is used and that the Post Office can inspect the computer's messages and records of messages being conveyed.

These requirements, the two organisations suggest, are not in keeping with the current climate of opinion on matters of privacy and are not easily justifiable "unless one thinks in terms of protecting the existing monopoly".

Bearing in mind both the needs of users and the proposed changes in technology over the next 20 years, the society and the centre are concerned that Post Office policy and any restructuring will need to be "carefully evolved". These policies will have very considerable implications for all organisations concerned with data processing.

Computer news

CAP growth continues

The mass market era for microcomputers has arrived but so far has had little impact on data-processing departments and others heavily dependent on software, according to Mr Alex d'Agapevff, chairman of Computer Analysts & Programmers.

New vendors, users, applications and methods have emerged, but their effect on established computer usage has been to question rather than to replace existing practices.

Mr d'Agapevff was introducing the CAP group's annual results for 1976-77 (published yesterday) which show that, including the Computer Program Products sales, turnover for the year rose by 94 per cent to £6.5m.

Pre-tax profit rose from £273,000 to £353,000. Turnover for 1977-78 would exceed £8m, the chairman forecast. Total staff numbers had increased from 500 in December, 1976, to 600 in December, 1977, and 700 in December, 1977.

Market reports

Despite the impact of rival concepts such as distributed processing and small business systems, the "mainframe" computer will remain the dominant element in the Western European data-processing market, according to the Pactal consultancy, London.

The value of mainframe systems shipped in 1977 was 4.1 times that of computer terminals; and 1.5 times that of total software and services sales; and 1.4 times that of the combined shipments of minicomputers and small business systems.

Major United States suppliers account for an overall 84.4 per cent of the market, on the basis of installed base, by value, for 1977.

These figures are taken from Computer mainframes, the first in a series of market reports which are being published by Pactal. Nioe other subjects are covered, ranging from microcomputers to business communications; all 10 reports will be updated annually.

Kenneth Owen

Indonesian oil discovery is confirmed

Hudson's Bay Oil and Gas announces that the operator (Iapca) has successfully completed testing Pertamina-Iapca Kartina number two in the south-east Sumatran contract area of Indonesia, it was reported in Calgary, Alberta, yesterday.

The well flowed at a sustained rate of 2,944 barrels of oil per day from a steady contract area within the Talang Akar formation.

Kartina number two is a confirmation test to the Kartina number one discovery well located about 14 miles to the south. Drilling by parties holding adjoining properties is also under way.

British Franchise Association sets up code of trading ethics to aid entrants into rapidly growing market

By Patricia Tisdall

A high increase in applicants for franchises for take-away food outlets, drain clearing, car rental, printing shops and other trades has been reported by the newly-formed British Franchise Association yesterday.

According to Mr John Gooderham, vice-chairman of the Association's steering committee and director of franchising for Dyno-Rod, growing numbers of people are seeking to use their redundancy payments together with gains from higher property values to set up in business on their own.

The association, which formally launched itself last week, aims to protect new-

comers from losing their savings in unscrupulous or ill-run operations.

By policing members and keeping to a standard code of trading ethics it also hopes to prevent the Government from enacting "ill-conceived and hasty" legislation against franchisors.

Members fear that antagonism arising from the adopting of the term franchising by traders driven out by legislation against pyramid selling and similar techniques has rubbed off on legitimate traders.

Sight of the biggest franchise companies who, with a combined turnover of over £105m and 1,300 outlets claim to repre-

sent 60 to 65 per cent of the franchise industry, founded the association in a bid to clear its reputation.

The founder members: Budget Rent-A-Car (UK), Dyno-Rod, Holiday Inns (UK), Kentucky Fried Chicken (GB), the Prontaprint chain of 50 printing and copying shops, the Services-Masters cleaning and restoration service, Wimpey International and the Ziebold rust-proofing specialists are mostly American in origin.

Four more franchise companies, Trust Houses Forte, Proprietary, Dayvilles and Home-Tune have applied and been vetted by the association and are due to join in January, and

the officers believe that a further 23 operations would be eligible for membership.

In the United States, franchise traders account for almost £240,000m (about £133,500m) worth of sales and represent around 30 per cent of all restaurant receipts.

Estimates, based on United States government statistics are that franchising has shown a growth rate of 31 per cent over the past two years.

In Britain, according to Mr David Acheson, managing director of Kentucky Fried Chicken (GB), franchising is in an embryonic stage, but this is still the second largest market for the franchisors.

Loss-making port gains reprieve

A Scottish port which made an £80,000 loss this year has been given a reprieve for at least three years, Mr John Sutton, managing director of the Forth Ports Authority, said yesterday that the Methil Docks in Fife, rumoured to be about to close, would be kept running, although they would be operating at a loss.

He told a Press conference in Glenrothes that a petrochemical complex may be built in Mossburn, central Fife, and the port may be needed to bring in materials and equipment by sea.

EEC production rises slightly

Brussels, Dec 5.—Industrial production in the European Community in September rose slightly over the two previous months, breaking the downward trend which began last summer, the Community statistics office said today.

The index of industrial production (base 1970) was a provisional seasonally adjusted 116.3 in September against 115.9 in July and August.

A slight rise in production of consumer goods has broken the previous falls while production of capital goods and products for further processing is still falling.—Reuter.

The List of Applications will open at 10 a.m. on Thursday, 8th December, 1977 and will close at any time thereafter on the same day. This list is made in accordance with a General Circular given by the Treasury under the Control of Borrowing Order 1974. Application has been made to the Council of The Royal Borough of Kensington and Chelsea to receive applications for the above amount of Stock.

THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA

ISSUE OF £12,500,000 The Royal Borough of Kensington and Chelsea Variable Rate Redeemable Stock, 1982

Price of Issue £100 PER CENT.

Interest free income tax will be payable half-yearly on 6th June and 6th December. A first payment of £4,204 (net income tax) per £100 Stock will be made on 6th June, 1978. The Stock is not an investment falling within Part II of the First Schedule to the Trustee Investments Act 1961.

National Westminster Bank Limited, New Issues Department, P.O. Box 79, Drapers Gardens, 12 Throgmorton Avenue, London EC2P 2BD, is authorised by the Council of The Royal Borough of Kensington and Chelsea to receive applications for the above amount of Stock.

1. SECURITY.—The Stock and the interest thereon will be secured on all the revenues of the Council and will rank pari passu with the existing future debt of the Council.

2. PROVISION FOR REPAYMENT OF LOANS.—The Council is required by Acts of Parliament and by the Loans Fund (The Royal Borough of Kensington and Chelsea) 1974 to make appropriate provision towards redemption of loans raised for capital expenditure and to make such returns in connection therewith as may be required by the Secretary of State for the Environment.

3. PURPOSES OF ISSUE.—The Stock will be issued to finance the present issue of Stock will be applied to replace moneys temporarily borrowed, to finance authorised capital expenditure, to replace maturing debt and to finance further capital expenditure.

4. REDUCTION OF STOCK.—The Stock will be redeemed at 100 per cent on 6th December, 1982 unless previously cancelled by purchase in the open market or by agreement with the holder.

5. REGISTRATION.—The Stock will be registered and transferable free of charge in multiples of one pound, by instrument in writing in accordance with the Stock Transfer Act 1963. The register of the Stock will be kept at the offices of National Westminster Bank Limited, New Issues Department, P.O. Box 79, Drapers Gardens, 12 Throgmorton Avenue, London EC2P 2BD. In respect of transfers lodged by hand before noon, Stock Certificates in the name of the transferee(s) will be available for collection by 2 p.m. on the same day. Certificates in respect of transfers lodged by post will be sent by ordinary post at the risk of the transferee(s) and the transferee(s) shall be deemed to have accepted the address unless instructions to the contrary are given in writing.

6. INTEREST.—Interest free income tax will be payable half-yearly on 6th June and 6th December by warrant payable to the Council or to the order of the Council, which will be sent by post at the Stockholder's risk. The first payment of interest will be made on 6th June 1978. The interest rate will be the rate in force on 6th June 1978 in respect of the rate per annum determined by National Westminster Bank Limited, acting as an expert, to be equal to 2 per cent per annum above the average (rounded downwards to the nearest 0.001%) of the rates per annum at which National Westminster Bank Limited was advised by Barclays Bank Limited and Lloyds Associated Banking Company Limited (the Reference Banks) that sterling deposits in a marketable amount would be offered to them for a period of six months in the London inter-bank market at or about 10 a.m. on 6th December, 1977. The rate of interest payable (interest rate) on the Stock will be the rate per annum determined by National Westminster Bank Limited, acting as an expert, to be equal to 2 per cent per annum above the average (rounded downwards to the nearest 0.001%) of the rates per annum at which National Westminster Bank Limited was advised by each of the Reference Banks that sterling deposits in a marketable amount would be offered to them for a period of six months in the London inter-bank market at or about 10 a.m. on the business day immediately preceding the commencement of such half year. If either of the Reference Banks shall fail on request to advise such rate to National Westminster Bank Limited, the interest rate shall be determined by reference to the rate advised by the other Reference Bank. If both Reference Banks shall fail to advise such rate, the interest rate shall be determined by National Westminster Bank Limited acting as an expert. The Council will use its best endeavours to ensure that there will at all times be two Reference Banks and may, with the agreement of National Westminster Bank Limited, appoint any leading bank in the City of London as a substitute Reference Bank.

7. CERTIFICATION.—The certificate of National Westminster Bank Limited, acting as an expert, shall be conclusive and binding on the Council and the Stockholder. Each determination of this interest rate for half years other than the first shall be certified by National Westminster Bank Limited to the Council and to the Stock Exchange not later than 3.30 a.m. on the first business day of the relevant half year, and the Council shall cause the said interest rate to be published in two leading daily newspapers not more than one business day later.

8. APPLICATION AND GENERAL ARRANGEMENTS.—Applications on the prescribed form, accompanied by the fee of £1.00, may be made to National Westminster Bank Limited, New Issues Department, P.O. Box 79, Drapers Gardens, 12 Throgmorton Avenue, London EC2P 2BD before the closing of the list of applications on Thursday, 8th December, 1977, and must be for a minimum of £100 Stock or for multiples thereof up to £1,000 Stock.

Larger applications must be made in accordance with the following scale—

Applications above £1,000 Stock and not exceeding £5,000 Stock in multiples of £500.
Applications above £5,000 Stock and not exceeding £20,000 Stock in multiples of £1,000.
Applications above £20,000 Stock in multiples of £5,000.

Applications above £20,000 Stock in multiples of £5,000.

A separate cheque drawn on a Bank in the United Kingdom representing payment to full at the issue price must accompany each application form. Payments of £500 or more should be made by banker's draft or by a cheque drawn on a Town Clearing branch of a Bank in the City of London. No application will be considered unless these conditions are fulfilled.

The Council reserves the right to instruct National Westminster Bank Limited (1) to present all cheques for payment and to retain the definitive Stock Certificates and surplus application moneys pending clearance of the applicants' cheques and (2) to reject any application or to accept any application in part only. If any application is not accepted the amount paid on application will be returned by the applicant's bank and if any application is accepted for a smaller amount of Stock than that applied for, the balance of the amount paid on application will be returned by the applicant's bank to the Town Clearing branch of the Bank in the City of London to which the applicant's cheque was drawn on a country branch of National Westminster Bank Limited to any applicant whose application was not supported by a Banker's draft or by a cheque drawn on a Town Clearing branch of a Bank in the City of London.

Each applicant to whom an allotment is made will be sent a definitive Stock Certificate. It is expected that, save as mentioned above, such certificates will be posted on 8th December, 1977 and that dealings in the Stock will begin on 9th December, 1977.

9. STATISTICS.—Relative to The Royal Borough of Kensington and Chelsea

Population—mid 1976 Registrar General's estimate	161,200
Rateable value—31st April, 1977	£63,125,000
Product of rate in the 1977/78 (estimated)	£235,000
Domestic rate in the 1977/78	49.5p
Neighbourly—31st March, 1977	£120,351

10. PROSPECTUS.—An application form may be obtained from: NATIONAL WESTMINSTER BANK LIMITED, New Issues Department, P.O. Box 79, Drapers Gardens, 12 Throgmorton Avenue, London EC2P 2BD and any of the principal branches of the Bank. PHILLIPS AND ORWELL, Lee House, London Wall, London EC3V 3AP, and any of the principal branches of the Royal Borough of Kensington and Chelsea, The Directors' Office, Town Hall, London W8 7NX.

The offices of THE STOCK EXCHANGE.

By Order of the Council,
Town Clerk and Chief Executive,
R. S. WEBER,
Director of Finance and Drapers Chief Executive.

Town Hall, Manion Street, London W8 7NX, 6th December, 1977.

Paterson Zochonis

"Very satisfactory progress"

Growing spread of interests, both industrial and geographical, highlights the strength of the Group.

Key points from the accounts and statement by the Chairman, Mr. John Zochonis:

Earnings: Earnings per share increased for the ninth successive year, making a twenty fold increase over ten years. Attributable profits up from £7.1m to £8.6m.

Dividend: Dividend more than doubled—still covered more than seven times.

Results: Although affected by the exclusion from 1977 results of turnover and profits from the former Nigerian subsidiaries (now 40% owned associate companies), Group turnover and operating profits show only a marginal reduction and on a comparable basis turnover increased from £163m to £204m and operating profit from £18.6m to £25.4m.

West Africa: Group interest in our two Nigerian subsidiary companies was reduced from 60% to 40% by a successful public issue. Commercial and industrial operations in West Africa show continued progress.

United Kingdom: Over £3m has been spent on re-equipment at Cussons and Odex Racasan which, although causing some short-term disruption, will lead to higher earnings in the future.

Greece: Our newly acquired companies engaged in processing edible oils, fats and soap manufacture are undergoing re-equipment and re-organisation and we believe the investment will prove of great benefit.

Prospects: "It is too early to give any firm forecast of profits but returns so far received indicate a satisfactory improvement in turnover but due to more competitive trading conditions margins have been somewhat under pressure, making the results so far roughly comparable with those for the same period last year."

PATERSON ZOCHONIS & CO. LIMITED, BRIDGEWATER HOUSE, 60 WHITWORTH STREET, MANCHESTER M1 6LU

FINANCE

Tesco sets sights on EEC takeover

Save & Prosper

SCHEM

Save & Prosper

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FINANCIAL NEWS AND MARKET REPORTS

Tesco now sets sights on EEC takeovers

By Ashley Druker

Increasingly higher turnover appears now to be crucial for supermarket groups since Tesco Stores (Holdings) dropped Green Shield stamps and started a regime of price cuts...

Whitecroft setback but rally on way

A first-half setback at Whitecroft, the textiles engineering and property group, has ruled out a repetition of last year's record pre-tax profit of £5m...

Mr John Tavare, the chairman, says that the second half should produce better results but the group will not match its performance for 1976-77...

It is difficult to obtain enough work at acceptable margins, and their profits have fallen. In spite of this, the group's builders and plumbers' merchants continue to do well...

The board believes the cycle has been fundamentally changed by the intrusion of its 50 per cent stake in Amicale Industries...

Key issue for Dawson is strength of textile cycle

By Bryan Appleyard

Dawson International, the quality textile group, increased its pre-tax profits by 43 per cent on sales up by 35 per cent in the six months to September 30...

Additionaly the group has been strengthening its financial position with the aid of £2.2m (£1.2m) from the disposal of its 50 per cent stake in Amicale Industries...

Stock markets

Gilts hold on to early gains

Not even the smallest monthly gain in the wholesale price index for 41 years could put any steam into a lethargic market.

At the outset most prices moved ahead a penny or so on small buying but thereafter they shaded to just below their starting levels as investors continued to play a waiting game.

Among the casualties of the recent shakeout was Godfrey Davis. In mid-November it reported that it had made more in the six months to September 30 than in the whole year before...

Stores shares performed well above the market average with the notable exception of Burton 'A' which dipped 3p to 78p...

Engineering unfavourable comment lowered GKN 6p to 57p and Vickers 6p to 181p.

Dividends in this table are shown net of tax on per cent per share. Elsewhere in Business News dividends are shown gross and net after the net dividend by 1.515. Profits are shown pre-tax and earnings are net.

Comment also gave a boost to Martonair, up 5p to 160p, and speculative interest was directed into Associated Fisheries, better by 3p to 56p.

Active stocks yesterday, according to Exchange Telegraph, were ICI, BP, National Westminster, BAT Ind and Dfd, Boots, Dunlop, GEC, Gas 'A', Reed International, Royal Midland, Manganese Bronze, B Elliott, Sangers and Lofs.

Latest results

Table with columns: Company, Sales, Profits, Earnings, Div, Pay, Year's total. Lists various companies like Alkins Bros, Bantons, American Gas, etc.

WGI well on the road to recovery

The recovery in the second half last year at WGI, the civil mechanical and process engineer and maker of refractory materials, looks as though it has been carried on into the current first half.

Pre-tax profits for the six months to September 30 kept from £261,000 to £497,000. The civil engineering side which caused most of the problems last year has made a £430,000 turnover into a profit of £130,000.

Matthew Hall

Interim Report for the nine months to 30th September 1977

Table with columns: The Group's results (unaudited) for the nine months ended 30th September 1977, 9 months to 30.9.77 £'000, 9 months to 30.9.76 £'000, 12 months to 31.12.76 £'000. Rows include Profit on trading, Total profit on trading, etc.

The Chairman, Sir Rupert Speir, comments:

The Group has again produced an excellent performance for the first nine months of the year with profit before taxation of £4,352,000, as against a profit of £2,947,000 for the same period last year.

Bamfords nearly tops £1m

The upward march of profits continued as Bamfords, the agricultural machinery, fencing materials and grey iron castings group, in which Frederick H. Burgess group now has a 57 per cent stake...

Rustenburg warning on platinum prices

Despite the recent increase in the platinum price from £162 to £175 an ounce, Rustenburg Platinum Holdings needs "a much higher" platinum price and better prices for its other metals to increase profits...

Pearson Longman bid plans blocked

Plans by Lord Cowdry's publishing and printing empire S. Pearson & Son to expand in the United States have been scuppered by the family interests of Lord Thomson.

Daveports Brewery recoups downturn

Daveports Brewery (Holdings), the Birmingham-based group headed by Mr Neville Frost, has recouped the slight interim downturn.

Uncorn industries

Group discussing possibility of taking 50 per cent stake in Crasius Group, part of Swedish Atlas Copco, Unicorn, the largest non-Amer. firm in the world, may also secure option for remaining 50 per cent.

LOFs shares slump on news of £1.2m pre-tax loss

Stripped of its Austin & Pickersill shipyard by nationalisation, London & Overseas Freighters has turned in a loss of £1.2m for the six months to September 30 against a pre-tax profit of £2.3m.

Mr Mavroleon has already made it clear that the amount of compensation, which will in any case not be in cash, will almost certainly be insufficient to yield a return comparable with that expected from A & P during the next few years.

Details of the group's half-year turnaround show that a trading loss of £574,000 grew into one of £1.9m and sales of ships brought in only £1.28m against £2.96m.

THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA

ISSUE OF £7,500,000 The Royal Borough of Kensington and Chelsea 11 1/2 per cent Redeemable Stock, 1985-87. PRICE OF ISSUE £98 1/2 PER CENT.

Table with columns: On Application, Payable as follows, £10 per cent, £40 per cent, £48 1/2 per cent, £98 1/2 per cent.

The List of Applications will open at 10 a.m. on Thursday, 8th December, 1977, and will close at any time thereafter on the same day.

THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA

£11 1/2 per cent Redeemable Stock, 1985-87. Issue of £7,500,000 Stock at £98 1/2 per cent. NATIONAL WESTMINSTER BANK LIMITED.

Form with fields for First Name(s) in full, Surname and Designation, Address in full, and SIGNATURE.

PLEASE USE BLOCK LETTERS. Applications must be for a minimum of £100 Stock or in multiples thereof up to £1,000 Stock. Larger applications must be made in accordance with the following scale...

SCHEME OF AMALGAMATION BETWEEN

Save & Prosper Ebor Financial Fund ("Ebor Financial"), Save & Prosper Ebor Property Share, Building & Allied Trades Unit Trust ("Ebor Property") and Save & Prosper Financial Securities Fund ("Financial Securities").

The Scheme of Amalgamation proposed to holders of Ebor Financial, Ebor Property and Financial Securities at meetings held on 27th October 1977 has been duly approved by the Holders in all three funds and has therefore been implemented in full with effect from 1st December 1977.

SAVE & PROSPER GROUP

FINANCIAL NEWS

Matthew Hall doubts on final quarter

By Richard Allen
Matthew Hall, the mechanical services and process plant group, has pushed pre-tax profits up by 49 per cent to £4.35m in the nine months to September 30.

Mitchell Somers 42 pc ahead

By Michael Clark
Engineer and forgemaster Mitchell Somers, in which Johnson & Firth Brown has at present a stake of 24.7 per cent, reports a rise in pre-tax profits for the first half to October 1 of 42.8 per cent to £1.2m.

Dull trading overseas trims B Elliott midterm outcome

By Alison Mitchell
Difficult trading conditions overseas put the brake on interim profits at machine tool manufacturer and distributor B. Elliott.



Mr. Mark Russell, chairman.

that there is unlikely to be any real improvement from this side in the current year.
In a more buoyant home market the United Kingdom division increased their profit contribution by a third to £1.6m.

Mannesmann foresees drop in 1977 returns

Mannesmann AG, West German steel pipe and engineering concern says that earnings this year will certainly be lower than 1976. DM302m (about £72m) net profit in the world group as sales stagnated at the 1976 level of DM11,600m.

International

Morocco gets loan

Morocco has obtained a \$325m (about £182.2m) seven-year bank loan from a syndicate led by Citicorp International Bank under loan agreements signed in London.

Agfa purchase

Agfa-Gevaert of America has completed its purchase of the Low & Wolf X-ray divisions of IPCO Hospital Supply Corporation, Dr Albert Bekan, managing director of Agfa-Gevaert and Mr John William, president of IPCO announced.

CAIL keeps ahead

The improved profitability of Coal & Allied of Australia (CAIL) continued into the current half-year and is markedly above the depressed first half of last year, the chairman, Mr William Howard-Smith said.

Strike hits Pullman

Mr Samuel Casey Jr, president of the Pullman Company of America, manufacturers of transportation equipment, says that the company's 1977 fourth quarter earnings could be lower than year-ago levels if a strike at five of its Pullman standard plants continues.

Heinz optimistic

H. J. Heinz Company, the Pittsburgh-based food manufacturer, says that it is optimistic that it will have higher earnings and sales for the year. Heinz said that the results of cost-reduction programmes aided operating margins.

Roussel-Uclaf

Roussel-Uclaf, the French pharmaceutical group, controlled by Hoechst AG of West Germany, says that it intends to lift its capital to 334.2m francs (about £37m) from the present 151.9m francs by doubling the nominal value of its ordinary shares to 100 francs and by issuing free shares on a one-for-10 basis.

Airwick plans deal

Airwick Products, consumer products division of Airwick Industries of America, says it will purchase the company assets of Glamorene Products Corporation, a subsidiary of Lever Brothers.

Vavasseur's latest capital re shaping goes through

Proposal for the third capital reconstruction of J. H. Vavasseur were passed yesterday at an extraordinary general meeting despite opposition from certain first preference stockholders. The group will proceed with the one-for-one share offer for its successful advertising subsidiary, the 80.7 per cent-owned Mills & Allen International.

Business appointments

Group financial director for Howard Machinery

Mr Richard Overend has joined the main board of Howard Machinery as group financial director.
Mr George Probert has become managing director of Slaters.



Rustenburg Platinum Holdings Limited

Chairman's Review by Sir Albert Robinson

The thirty-first annual general meeting of the company will be held in the board room, Consolidated Building, corner of Fox and Harrison Streets, Johannesburg, at 09h30, on Wednesday, 14 December 1977.

The Company's consolidated after-tax profit for the financial year 1977 amounted to R4,6m. As explained in the Directors' Report, the Board of RPM has instituted two changes in the company's accounting procedures in order to reflect trading results based on the current cost of production and to make a provision for the cost of maintaining production capacity.

In the inflationary climate which the world is experiencing at present, the current cost of production is inevitably much higher per unit produced than the average cost of both stocks and production. Previously, the cost of sales was accounted for on the basis of an average cost of opening stocks and production but because such accounting procedures, influenced as they are by lower production costs in previous years, overstate current profitability and are misleading, your Board decided to value stock by the accounting method known as LIFO.

Shareholders are aware that under normal circumstances industrial companies provide for the replacement of assets by means of a charge to the income statement. This charge provides the cash flow necessary to replace or maintain production assets. Traditionally this is not done in the South African mining industry the cash required to maintain production capacity (on-going capital expenditure) is appropriated from profits after tax. Because of its immense reserves and immeasurably greater life when compared with the gold mines, Rustenburg may be considered to be more akin to an industrial company. It can therefore, with some justification, treat its accounts in respect of the replacement and renewal of assets in a way similar to that adopted by an industrial company.

On the previous basis of accounting the declared profit before tax for 1977 would have been R33,5m compared with R44,1m for 1976. However, the level of declared pre-tax profits of R4,6m on the new accounting basis now reflects more realistically the profitability of operations during the year, and hence a better measure of what profit is available for appropriation for dividends and capital requirements. The decision to pass the final dividend was not influenced by the new accounting system. The additional costs which have been introduced in determining profits under the new basis of accounting would have been met by appropriation out of the higher level of profits declared on the previous accounting basis and therefore the profits available for distribution would, in any event, have been inadequate to pay a final dividend.

The passing of a final dividend was the result of the weak market conditions that prevailed and the effects of inflation on capital and working costs. The company's financial position over the last few years has been adversely affected in two ways. Firstly, the company's published price of platinum, which was \$190 per ounce in 1974, was forced down to \$155 and was adjusted subsequently to \$162 for most of the next three years. Secondly, the company has suffered high and escalating costs of replacement of shafts and development necessary to maintain the mines' continuing ability to produce. Since 1974 the cost per ounce of platinum produced has increased by some 97% and the cost of capital items has doubled.

As the price of platinum and its by-products has been unduly low, profits after tax have been seriously eroded with the result that the company's financial position has deteriorated. Surplus supplies caused market prices of platinum to remain below the company's published price of \$163 per ounce for much of the past year.

In view of the continuing excess of supply over demand and the prevailing weak prices for the platinum group metals as well as for nickel and copper, Rustenburg announced on the 1st November that it was reducing production by between 10% and 20%. Despite the reduction, we shall continue development for as long as possible. Our objective is to be able to return with a minimum of delay to the level of production that prevailed prior to the 1st November in the event of a resurgence in demand. However, unless platinum price levels increase substantially it will be impossible to increase production capacity much beyond one million ounces per annum. In short, to justify any expenditure on increased production capacity Rustenburg requires a markedly higher price. The first step towards achieving this end was taken on 28th November when Rustenburg increased its price to

\$175/oz. This followed a rise in the Free Market price of platinum of more than \$20 over the previous three months.

Further to the decision to cut back production, the Board has decided to reduce capital expenditure on the mines for the current financial year from R22,5m to R15 million.

Apart from the weakness in demand for platinum the substantial oversupply situation that is currently prevailing in the nickel market is bringing a serious impact on the company's sales of nickel. This metal is second to platinum in terms of revenue earned by the company and is therefore very important to the company's financial position. The Free Market price for nickel, which was \$220 per lb CIF in September 1976 has declined and is now about \$1,80 per lb CIF.

Another major setback to the platinum industry in South Africa occurred during the year. This industry has been able to make use of the exporters' allowance as a deduction from taxable income for 15 years. This concession has enabled the industry to claim a portion of its marketing expenses as an allowance for tax in addition to these expenses being allowed as a cost. However, as a result of the 1977 Income Tax Act the industry has been deprived of this allowance in respect of platinum and the other platinum group metals. The withdrawal of the allowance has come at a critical time for the industry and will have a considerable impact on profitability. The company has incurred considerable expenditure in seeking and promoting new markets for platinum. The metal has to be marketed both vigorously and extensively. However, without the benefit of the exporters' allowance the company's ability to market the metal effectively will be seriously impaired. Representations have been made to the Minister of Finance to consider the re-introduction of this valuable marketing and financial aid.

The company is concentrating its efforts on reducing the impact of inflation on its costs by improving productivity. In particular there are two areas of the operation that have a significant impact on its profitability. One of these is the Matthey Rustenburg Refiners (Rustenburg) plant, where RPM's matte is treated to separate the platinum group metals and to produce nickel and copper. Although this plant is operating satisfactorily, the costs incurred are high. Steps are now being taken to modify part of the plant in an effort to reduce costs in the short to medium term. For the longer term we are investigating the desirability of introducing a completely new process. The other factor that contributes to the high costs of the company's operation is the depth at which we are currently mining. At both the Rustenburg and Union sections we are mining at much greater depths than other South African producers. At the Amandelbult section, however, we are operating relatively close to surface and it will be some years before a second generation of vertical shafts has to be established. Thus as the importance of Amandelbult to the company's operations increases, the lower costs of operating this section should have an important impact on the company's profitability. As time progresses the centre of the company's operations could well move from Rustenburg and Union Sections to the shallower areas at Amandelbult.

Automobile Industry

Despite an increase in U.S. automobile production in the 1977 financial year, the company's sales of platinum and palladium for use by this industry were lower than the volume achieved in 1976. Excess quantities of both metals were accumulated in 1976 and these were subsequently drawn upon in 1977 thereby reducing the quantities purchased in that year. Present indications suggest that the company's sales in the current financial year will be higher than for 1977.

A substantial part of Rustenburg's sales of platinum for use by the automobile industry is effected at a price that was established in 1972. While an escalation in price is provided for, this has proved to be totally inadequate in the light of the rapid escalation in working costs that has occurred subsequently. In fact these sales of platinum are now incurring losses and negotiations are under way to redress this situation.

Although an amendment to the U.S. Clean Air Act was passed by the U.S. Congress in August 1977 extending the model year 1977 automobile emission standards to model year 1979, the amendment does require a tightening of standards in model year 1980 and a further tightening in model year 1981.

We expect that the emission levels for 1980 and 1981 will require increasing quantities of the three-way conversion catalyst, which reduces the emissions of the three main pollutants, namely carbon monoxide, hydrocarbons and oxides of nitrogen. This is expected to reflect increasing requirements for platinum. However, there is a strong possibility that the recovery of platinum from catalysis on scrapped automobiles could start in the early 1980's. Depending on the economics of the recovery process this quantity of recycled metal may reach a significant level by 1985 and have the effect of reducing demand for newly mined platinum.

Jewellery Promotion

The company's jewellery advertising and promotion campaigns continued during the past financial year. Although we do not expect to reap the benefit from these campaigns in the short term, we believe that in the longer-term interest of the platinum industry we must continue with these activities. Much more time, effort and money will have to be expended, but we are confident that the company's efforts will stimulate a meaningful level of demand in due course.

The current annual expenditure on this programme is approximately R3 million. The results that have emerged to date have been encouraging in that a growing awareness of platinum jewellery has been stimulated. In all the markets where we are active, there is increasing co-operation and enthusiasm from the trade and interest on the part of the consumer. Research into the technical aspects of working in platinum is being extended and training for manufacturers is being sponsored. Design is receiving special attention. Joint promotions - in which manufacturers or retailers contribute to costs - are becoming more common and platinum is now featuring in prestigious national and international jewellery exhibitions.

There are indications of a modest increase in the usage of the metal for jewellery in new markets. It is essential that these initial successes be followed up and that the momentum now established be developed further.

Outlook

It is unlikely that there will be any significant increase in platinum demand during the rest of this current financial year. Although there has been a recovery in the platinum price in the last few months, any favourable effect on the level of this year's profits above that of last year must depend on a much higher platinum price and better prices for the company's other metals, particularly nickel.

On the 6th December the Bophuthatswana Homeland becomes an independent state. Approximately 25% of Rustenburg's production currently comes from within the borders of this state. The company has had discussions with the Bophuthatswana authorities in relation to the change in political status of the territory. I am pleased to say that the discussions took place in an atmosphere of goodwill and that the Bophuthatswana Government, which has consistently declared itself in favour of the principle of free enterprise, is co-operating fully to ensure that the transition to the new status will not seriously affect the company's operations. Rustenburg will have a unique position in that it will be operating in both South Africa and Bophuthatswana but we are confident that it will be the objective of both Governments to assist the company in maintaining a viable output. It is certainly in their interests that this should be the case.

Conclusion

In summary, the company's liquidity has deteriorated due to the main to low platinum and nickel prices. Rustenburg's decision to reduce production will strengthen its financial position and will assist in bringing world supply and demand more into balance. This could help in providing a basis for a stronger price in the future.

While the rate of production has been reduced, development will continue so that the company will be well placed to re-establish its previous rate of production when demand improves.

In the meantime two areas of high cost have been identified - in the treatment and refining of base metals and also mining at deep levels. The company is confident that given time it can make changes which will ameliorate these high costs.

The changes in the basis of accounting will assist shareholders to have a better appreciation of the company's actual trading position and this will increase the emphasis on efforts to strengthen its financial position.

I have every confidence in the platinum industry in the longer term. We have experienced adverse trading conditions before and then we have enjoyed a return to prosperity. This will happen again as the world moves out of its current recession. When this happens shareholders will be rewarded for their patience and the company will once again attract the renewed interest of the investing public.

General

I am grateful to Johnson Matthey & Co. Limited, who continued to carry out their role as our sole marketing agents in a most efficient manner. I also wish to record our appreciation to our customers for their valuable support during a difficult period.

To the Mine Managers, Consulting Engineers, Secretaries as well as all the staff and employees at the Mines and at Head Office, my grateful thanks for the services they have rendered during the past year.

Johannesburg 5th December, 1977

MARKET RATES
Bank Rates
INVESTMENT
Various financial data and advertisements on the right margin.

Handwritten text at the bottom center: كلادان الاصل

Stock Exchange Prices

Subdued Trading

ACCOUNT DAYS - Dealings Begin, Nov 28. Dealings End, Dec 9. Closing Day, Dec 20. Settlement Day, Dec 20

Forward bargains are permitted on two previous days

Main table of stock exchange prices with columns for company names, prices, and changes. Includes sections for Commercial and Industrial, Financial, and various other sectors.

Vertical advertisements on the right margin, including 'CJES', 'LONDON', 'add-on', 'ranstad', 'ABU CHAS', 'SENIOR SECRETAR', 'Appointment', 'MARKET THE M', and 'The Times Share Indices'.



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Advise a Minister of State. Salary £3,000.

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